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FINANCIAL TIMES

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WORLD NEWS

Ethnic Albanians demand withdrawal of Yugoslav troops before talks open

Political leaders of Kosovo's ethnic Albanian majority rejected Yugoslav president Slobodan Milosevic's offer of talks and demanded that he first withdraw his troops from the Serbian province. **Page 2**

US aid falls sharply
US aid payments to developing countries fell to barely a tenth of the level recommended by the United Nations. OECD figures suggest that US assistance fell by around $3.2bn last year to just over $6bn. **Page 6**

US and China near warheads deal
China and the US are in the final stages of talks on an agreement not to aim nuclear warheads at each other's countries. **Page 8**

Setback for world court
Hopes of setting up an independent international criminal court suffered a setback when the US made clear that any court proceedings would have to be initiated by the United Nations. **Page 6**

Settlers demand troops stay
Israel's Jewish settlers are planning demonstrations to prevent prime *minister* Benjamin Netanyahu from pulling back troops from some of the West Bank. **Page 4**

Weather hits Russian grain
Recent hot weather may lead to drought in several parts of Russia *and looks* certain to *cut the 1998* grain harvest to below last year's, *meteorologists said.*

Hutus reject ceasefire call
Burundi's Tutsi-led government called for a ceasefire, but Hutu rebels rejected the move at peace talks in Tanzania, delegates said.

Call for US troop withdrawals
The Washington-based Economic Strategy Institute recommended that the US should consider withdrawing most of its troops from Japan and Korea. **Page 6**

Life for Spielberg stalker
Jonathan Norman, 31, convicted *of* stalking film director Steven Spielberg *with* plans to *rape* him, was sentenced to 25 years to life by a *court* in Santa Monica, *California.*

'Lip service' paid to human rights
Amnesty International said in its annual report that governments paid only lip service to human rights. **Page 4**

Presidents to intervene
Four African presidents will visit Ethiopia and Eritrea to try to resolve a border conflict that Ethiopia says is worsening. **Page 4**

Greece demands marbles inquiry
Greece stepped up demands for an inquiry into damage caused to the Elgin Marbles during cleaning at the British Museum more than 60 years ago. The museum has held the marbles since 1816. Greece is seeking their return.

Indian floods kill 70
At least 70 people have been killed by landslides and floods in north-east India this month. The government blamed deforestation for the deaths.

Clinton backs Hollywood
US president Bill Clinton plans to lobby China to allow Hollywood film studios greater access to its market. **Page 8**

Citizen Kane takes top title
US film industry luminaries named *Citizen Kane* as top title among The 100 Greatest American Films of All Time. **Page 6**

BUSINESS NEWS

Thorn sells US arm to Renters Choice for $893m and says investors will gain

Thorn, the troubled group that owns Radio Rentals in the UK, sold its US operations to Nasdaq-quoted Renters Choice for £545m ($893m) and promised to return a substantial part of the proceeds to shareholders. **Page 17; Comment, Page 23**

Billiton, the mining and metals group, said it intended to buy back up to 10 per cent of its shares, at a cost of $500m at present prices. The shares moved up but remained well below their peak and the level last July when Billiton was *spun off from Gencor of South* Africa. **Page 17; Lex, Page 16**

Agco of the US, one of the world's big four agricultural machinery makers, said it was interested in buying privately owned Claas of Germany, Europe's top producer of combine harvesters. **Page 22**

Electricidade de Portugal, the national power utility, said the retail tranche of its global offering of 18 per cent of the company was more than 17 times oversubscribed after two days of pre-registering orders. **Page 18**

Five forestry groups, four of them Scandinavian, are competing to build a $960m pulp mill in Latvia in one of the biggest direct foreign investments in the Baltic region. About 42 per cent of Latvia is woodland. **Page 17**

American Express is to pay about *FFr850m ($141m)* for Havas Voyages, the Paris-based travel agency, in a move that will give it the largest network in France. **Page 18**

US farmers will lose $200m worth *of exports of corn to the European* Union this year because of resis*tance to genetically modified* crops, Gus Schumacher, US *undersecretary of agriculture, told* the International Grains Council conference in London. **Page 5**

The European Commission postponed a decision on plans to increase subsidies to winemakers by at least 30 per cent. US *officials* said they would view the proposals *"with concern".* **Page 2**

UK power generators could face a monopolies commission investigation if the government – in trying to preserve a market for British coal – restricts competition with moves to *stem development of gas-fired* power stations, the industry regula*tor warned.* **Page 10**

The credit derivatives market, which allows banks to trade and insure against the risk their borrowers *will not repay them, more* than tripled last year and is set to *double again in 1998, according* to a survey by the British Bankers' *Association.* **Page 17**

Telecom Italia chairman Gian Mario *Rossignolo was reconfirmed in his post at the end of an 18-hour annual general meeting during* which his management style came *under repeated attack.* **Page 18**

Canada has signed a trade and investment co-operation *agreement* with South America's Mercosur countries – *Brazil, Argentina,* Paraguay and Uruguay. **Page 5**

Euro Prices
A comprehensive statistical guide to the new euro currency zone, covering foreign exchange, bond and equity markets.
Page 25

US joins forces with Japan to put brakes on the yen's decline

Policy reversal in attempt to prevent Asia crisis worsening

By Stephen Fidler in Washington

The US and Japan yesterday jointly stepped in to reverse the yen's rapid decline in an attempt *to prevent Tokyo's economic* troubles from worsening Asia's financial crisis.

It was the first currency market intervention by the US since 1995 and followed an announcement from Ryutaro Hashimoto, Japan's prime minister, that the government would speed up a restructuring of its heavily indebted banking system and *accelerate efforts to boost the* domestic economy, which is now *in recession.*

The yen, which on Monday dropped to an eight-year low against the dollar, responded to close in European trading at Y138.2 against the dollar, compared with Y144.2 the day before. Dealers estimated that the Federal Reserve spent more than $2bn supporting the yen.

Robert Rubin, US Treasury secretary, said: "The US monetary authorities operated in the exchange market this morning in co-operation with the monetary authorities of Japan. We are prepared to continue to co-operate in exchange markets, as appropriate." Until last week, US officials were insisting foreign exchange *market intervention would be* useless without more fundamen*tal action* by Japan.

President Bill Clinton described Japan's planned reforms as "aggressive" and "bold". "I wanted to send a clear signal to the markets that the US supports Japanese reform, and believes the Japanese people can pull out of this economic slump and restore growth and opportunity. It's very important to all of Asia," he said.

Mr Hashimoto said Japan would "expeditiously restructure the financial system, including the prompt disposal of bad assets". It would also accelerate implementation of a fiscal stimulus package and "reform both *corporate and individual tax* structures".

Stock markets around the world rallied on the prospect of action. Jean Michel Severino, World Bank vice-president for Asia and Africa, was reported as saying in Australia that Japan was "on the threshold of a deep and long recession" that could generate a global slump.

Washington also dispatched Lawrence Summers, Mr Rubin's *deputy, to Japan to meet Japa*nese officials ahead of a weekend meeting in Tokyo of finance officials from the Group of Seven industrialised countries, and officials from some Asian countries. Mr Summers was due to leave yesterday, accompanied by William McDonough, president of the Federal Reserve Bank of New York.

"It's a policy reversal, but I think a very healthy one," said C. Fred Bergsten, director of the Washington-based Institute for International Economics. The yen's weakness was threatening the stability of currencies in Korea, Taiwan, China and elsewhere. "We were very close to the risk of an outbreak of competitive depreciations," he said.

*He said the US-Japan interven*tion should be continued and should be broadened to include the other central banks of the G7. It had to be backed by policy action by the Japanese to stimulate the economy through a fiscal reform, such as a temporary abolition of the 5 per cent consumption tax, and a fundamental restructuring of the banking system to deal with bankrupt banks and the overhang of bad debts.

A Hong Kong stock exchange trader reacts to the stock rally — Reuters

Markets rally on back of support operation

By Philip Coggan in London

World equity markets rebounded sharply on the back of the yen support operation but US Treasury bonds slipped as the Bank of Japan sold part of its holdings to buy yen.

The jump in the yen to near Y137 against the dollar – and the hope that it would be followed by Japanese action to reform its economy – reversed some of the gloom that had beset Asian markets in recent weeks.

Investors had begun to fear *that Japan might* be slipping into a deflationary spiral. They were also concerned that the decline in the yen might force other countries, notably China and Hong Kong, into devaluation of their currencies.

But an early rise in the yen, even before intervention, helped Asian markets to rally. Hong Kong gained 6.4 per cent and Korea 8.5 per cent.

Analysts said some of the Asian markets had been oversold in recent weeks and were due for a rebound. They added, however, that the region's economic problems were far from over.

Europe followed the Asian gains, with both Frankfurt and Paris rising about 2 per cent and the FTSE 100 index in London gaining 103 to 5,832.7.

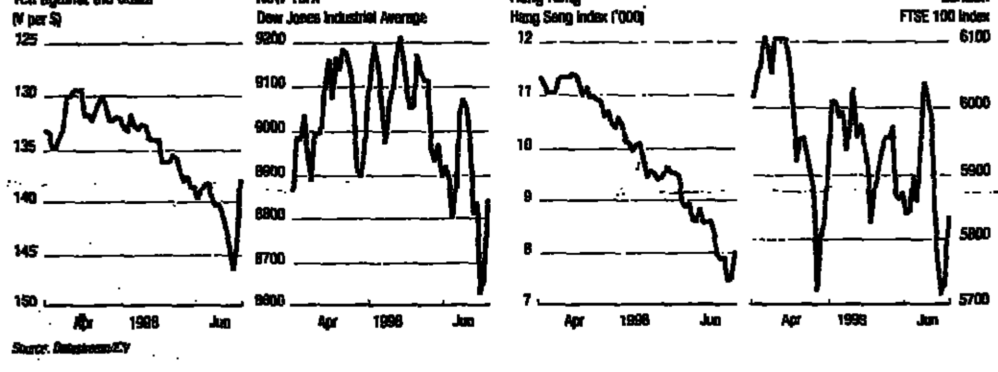
While the Tokyo market closed slightly down, with the Nikkei 225 average still below the 15,000 level, thanks to a slide in Long Term Credit Bank shares, Japanese stocks rebounded in London trading.

The momentum was maintained on Wall Street, with the Dow Jones Industrial Average quickly jumping 200 points, reversing Monday's loss. At 1pm New York time, the Dow was 188.58 points higher at 8,853.87. Fears that corporate profits would be squeezed by a collapse in Asian economies had weighed on US and European markets in recent weeks.

For the second time in a week, however, there was a sharp divergence between the *performance* of equities and bonds.

Last Thursday, the yield on the 30-year US Treasury bond slipped to a historic low. This was on the back of a "flight to safety" from shares in the face of the Asian crisis. Yesterday, the 30-year bond slipped by a point in early trading on Japanese sales, dragging European bond markets down with it.

US cavalry comes to the rescue of faltering yen



Source: Datastream/ICV

EU agrees deal on greenhouse gases

By Michael Smith in Luxembourg

European Union environment ministers yesterday struck a legally binding deal on how to cut greenhouse gas emissions across the 15-nation bloc by 8 per cent over the next 10-14 years.

Of the 15, Germany, Denmark and Luxembourg will have to make the biggest reductions.

At the end of two days of fraught negotiations, John Prescott, deputy prime minister of the UK, which holds the EU presidency, *hailed a "historic agreement".* He said it showed Europe was *leading* the way in turning the rhetoric of last year's Kyoto global warming pact into action.

Denmark warned it would be able to achieve its target of a 21 per cent cut only if the EU took more action collectively, such as introducing carbon taxes.

Ritt Bjerregaard, EU environment commissioner, warned that, without changes in transport and energy policies, it would be "very difficult" to reach the 8 per cent target. The European Commission has proposed a series of pollution-cutting policies, such as carbon taxes, which EU nations have *failed to endorse.*

The EU had to set targets following *agreement* at Kyoto, Japan, last year to cut, by the *end of the next decade, emissions* of six greenhouse gases – carbon *dioxide, methane, oxides of nitro*gen and three industrial gases – by 8 per cent compared with 1990 emissions. Growth in emissions of the gases has been blamed for global warming. Industry has warned that cutting emissions will cost it billions of dollars.

EU emission cuts

Commitments for cutting greenhouse gases agreed yesterday

	%		%
Belgium	–7.5	Luxembourg	–28
Denmark	–21	Netherlands	–6
Germany	–21	Austria	–13
Greece	+25	Portugal	+27
Spain	+15	Finland	0
France	0	Sweden	+4
Ireland	+13	UK	–12.5
Italy	–6.5		

Source: UK government

Under the deal Luxembourg will have to cut emissions by 28 per cent and Germany and Denmark by 21 per cent each.

The UK has agreed to cuts of 12.5 per cent, half a percentage point higher than it offered in a compromise it tabled as president earlier in the week.

The agreement allows four less-industrialised countries to increase emissions – Portugal by 27 per cent, Greece by 25 per *cent, Spain by 15 per cent and* Ireland by 13 per cent – more *onerous than targets agreed in an* EU deal in March 1997. Targets have been relaxed for those countries that must cut their emissions – France and Finland can keep emissions steady between 1990 and 2000.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8849.38	(+184.09)
NASDAQ Composite	1778.89	(+25.77)
Europe and Far East		
CAC40	4092.92	(+79.64)
DAX	5709.36	(+117.79)
FTSE 100	5832.7	(+103.0)
Nikkei	14715.38	(–5.00)
US Lunchtime RATES		
Federal Funds	5.62%	
3-mth Treas Bills: Yld	5.22%	
Long Bond	105¼	
Yield	5.71%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	(7⅝%)
UK: 10 yr Gilt	109.875	(110.859)
France: 10 yr OAT	104.64	(105.18)
Germany: 10 yr Bund	108.42	(108.82)
Japan: 10 yr JGB	111.73	(111.97)
NORTH SEA OIL (Argus)		
Brent Dated	$11.365	(10.845)

GOLD		
New York: Comex	$293.0	(288.1)
London	$291.85	(288.35)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6655	
DM	1.78685	
FFr	5.99225	
SFr	1.4918	
Y	137.745	
London:		
£	1.6591	(1.6532)
DM	1.79	(1.798)
FFr	6.002	(6.029)
SFr	1.492	(1.4973)
Y	138.18	(144.215)
Tokyo Close		Y 144.1
Sterling		
DM	2.9897	(2.9724)

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WORLD NEWS
EUROPE

Kosovo ethnic crisis enters uneasy lull

By David Buchan in London and Ralph Atkins in Bonn

The Kosovo crisis entered an uneasy diplomatic lull yesterday, with distrustful western powers waiting for President Slobodan Milosevic to clarify and fulfil his promises in Moscow to ease repression and restart autonomy talks.

Nato said that the Yugoslav leader was "beginning to bend" to international pressure, but not enough to justify the alliance slowing its planning for possible armed intervention.

After meeting President Boris Yeltsin in Moscow on Tuesday, Mr Milosevic said he was ready to restart talks with the ethnic Albanians "on forms of autonomy" for Kosovo, but would only pull back his security forces "as terrorism subsides".

Of the demands set out by the six-nation Contact Group of the US, Russia and European powers, the key one is an end to security force action against civilians and "withdrawal of security units used for civilian repression".

This refers to special police with such weapons as rocket-propelled grenades and artillery that, as one UK diplomat put it yesterday, "are not normal police equipment". Their withdrawal could pave the way for the other Contact Group demands of refugee return, international monitoring and political dialogue to be met.

The general western reaction yesterday was that Mr Milosevic's response was inadequate. The Yugoslav president's offers fell "substantially short" of Contact Group demands, said a spokesman for Tony Blair, Britain's prime minister, adding that Nato should continue its military preparations.

The German and Italian foreign ministers warned Mr Milosevic to match his words with deeds.

Despite the statement by Madeleine Albright, US secretary of state, that all Nato options remain on the table, it was clear yesterday that air strikes inside Kosovo were not an immediate possibility. This was because Russia would use its veto to block any United Nations Security Council resolution approving them.

Yevgeni Primakov, Russia's foreign minister, described as the "maximum possible" the concessions Mr Milosevic made in Moscow. The Russian Duma (parliament) passed by 334-3 a resolution praising President Yeltsin's mediation and condemning Nato threats of force.

The general European desire to give any Nato action UN cover was spelt out by the German cabinet, which yesterday declared any military intervention must have the "secure legal basis of a UN mandate".

The US may feel the need for UN approval less acutely, but would not want to act without the Europeans, said diplomats. The Contact Group has set no deadline for its latest demands, partly because of Mr Milosevic's habit of transforming deadlines into delays, and partly out of real uncertainty about what to do next.

Inaction by Mr Milosevic could cause a change of mood in Moscow if Russian leaders came to feel he had misled them.

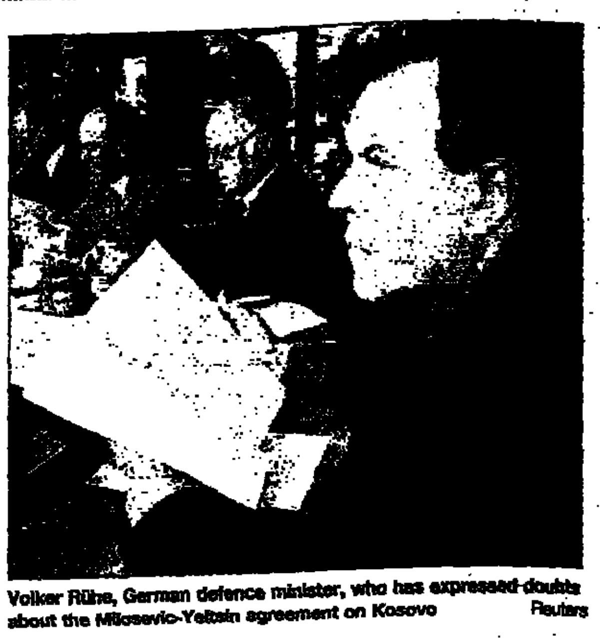
Ethnic Albanians demand Yugoslav troop withdrawal before talks

Political leaders of Kosovo's ethnic Albanian majority yesterday rejected an offer of renewed negotiations made by Slobodan Milosevic and demanded that the Yugoslav president first withdraw his troops from the Serbian province and end his "ethnic cleansing" of civilians, writes Guy Dinmore in Belgrade. A spokesman for Ibrahim Rugova, "president" of the self-declared Republic of Kosovo, said only Nato intervention could create the pre-conditions for meaningful talks.

Mr Rugova's party broke off talks with Mr Milosevic this month after government forces launched an offensive against village strongholds of the rebel Kosovo Liberation Army, forcing over 60,000 ethnic Albanians to flee their homes.

Mr Milosevic made his offer on Tuesday after meeting Boris Yeltsin, the Russian president, in Moscow. The Yugoslav president also proposed that his forces would start withdrawing to their bases on the condition that the KLA ceased its attacks. Western leaders, who have warned of possible Nato intervention, said Mr Milosevic had not gone far enough.

A large armoured convoy of Yugoslav troops were seen yesterday taking up positions south of the provincial capital Pristina to secure the main north-south road. The area is close to Malisevo and surrounding villages under KLA control where thousands of displaced Albanians have taken refuge.



Volker Rühe, German defence minister, who has expressed doubts about the Milosevic-Yeltsin agreement on Kosovo Reuters

Hanwha sells stake in Greek bank

By Kerin Hope in Athens

The long-awaited consolidation of Greece's banking sector took a step forward yesterday with the sale by Korea's Hanwha group of a controlling stake in Bank of Athens to EFG Eurobank, part of the Latsis shipping and oil refining group.

Officials at Bank of Athens said the deal, carried out through a share transfer on the Athens stock exchange, was valued at Dr10.5bn ($34m).

The Asian financial crisis has forced Hanwha, an industrial conglomerate which produces explosives, to sell off overseas investments.

Greece's Socialist government is trying to hasten restructuring of the banking sector ahead of the launch of the euro next year.

Two state banks have been partially privatised this year and three more disposals are due over the summer.

Small private banks like Bank of Athens have become takeover targets as the consolidation gathers pace.

But the privatisation process is being slowed by opposition from Greece's influential public sector unions.

A strike at Ionian Bank, the biggest bank on the privatisation list, is in its sixth week. The union is trying to ensure that all 4,500 jobs are guaranteed after the sale.

However, Bank of Athens, which is only marginally profitable, met no union opposition when it cut its workforce by 25 per cent in January under a voluntary retirement plan. It was the first Greek bank to introduce such a scheme.

Hanwha started negotiations with EFG Eurobank early this year. But the sale was precipitated by a demand last month from Greece's central bank that Bank of Athens should carry out an immediate capital increase to bring its capital adequacy ratio in line with other Greek banks.

The bank's balance sheet amounts to Dr120bn but its capital base is only Dr1bn, about nine times less than the central bank requirement.

EFG Eurobank is expected to inject at least Dr10bn of fresh capital after the acquisition.

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Recall for Chubais in bid to encourage investors

By John Thornhill in Moscow

President Boris Yeltsin yesterday entrusted Anatoly Chubais with special responsibility for co-ordinating Russia's relations with international financial institutions ahead of critical talks with the International Monetary Fund next week.

Mr Chubais's appointment marks a rapid return to favour for Russia's best-known and most controversial reformer after he was sacked as first deputy prime minister in March.

The appointment of Mr Chubais is clearly designed to regain the confidence of international investors, who have been deserting Russia following the financial turmoil in Asia.

The appointment came as international capital markets were rife with rumours that Russia was gearing up for a large foreign borrowing programme this week. Market sources suggested Chase Manhattan, J.P. Morgan and Goldman Sachs had been softening up the market for a 30-year eurobond of up to $2bn. The Russian government has said it will raise extra funds abroad to restructure its expensive domestic debt but has not yet awarded any mandates. The finance ministry yesterday cancelled two of three domestic debt auctions, saying it was not prepared to borrow at excessively high rates.

One government official said Mr Chubais's role would be to co-ordinate the financial branches of government – which have appeared to be working at odds with each other at times during the latest crisis – and to communicate a clear message more effectively. "It is very good for the reformers in the government and for the country as a whole," he said. "But the fact that Chubais has had to return highlights the problem of the organisation of work within the government."

Mr Chubais will assume the lead role in negotiating with the IMF over additional financial support. The IMF is already backing Russia with a $9.2bn support loan.

But several parliamentary leaders strongly criticised Mr Chubais's appointment because of his past involvement in Russia's controversial privatisation programme and his tough "sado-monetarist" policies while in charge of the economy.

Pyotr Rodionov, deputy chairman of Gazprom, the gas monopoly, also questioned Mr Chubais's new role. "I think those people who consulted with the president before this decision were a little confused in their assessment of the business qualities of Anatoly Borisovich," he said.

Mr Chubais has been given the rank of a deputy prime minister but will not formally join the government. He will also retain his job as head of Unified Energy Systems, the electricity monopoly.

Vaclav Klaus, chairman of the Civic Democratic party (ODS) and former Czech prime minister, signs autographs at a general election campaign rally in Prague. Czechs go to the polls tomorrow. The Social Democrats lead opinion polls, ahead of the ODS, but are unlikely to gain a majority Reuters

French politician attacks 'secrecy' of ECB

By Robert Graham in Paris

A senior French politician yesterday issued a stinging attack on the allegedly secretive nature of the nascent European Central Bank.

Didier Migaud, a Socialist deputy and rapporteur of the French National Assembly's finance commission, accused the ECB of starting off on the wrong foot at its inaugural meeting by agreeing a restrictive view of its accountability.

This is the first public criticism to be levelled at the ECB and its Dutch president, Wim Duisenberg, from any of the 11 countries in the euro-zone. "This is an individual initiative," said a spokesman for Mr Migaud, "but his views are shared by a number of other deputies on the commission".

The ECB will not acquire real responsibility for euro-zone monetary policy until next year, but Mr Migaud's comments underline French concern over the apparent lack of transparency in the new body's decision-making.

At the heart of this concern has been Mr Duisenberg's refusal to heed the National Assembly's resolution of April 22, calling on the head of the ECB to give at least once a year an account of monetary policy in audiences with national parliaments.

After the first ECB governors' council meeting on June 9, Mr Duisenberg said he would only appear before the European parliament in Strasbourg and insisted the minutes of meetings would be kept secret for 17 years. "This augurs ill for the transparency of the body responsible for monetary policy in the euro-zone," Mr Migaud said.

His statement went on: "The president's desire to appear only before the European parliament and take decisions in near absolute secrecy seems to go against the large consensus, especially evident during negotiation of the Treaty of Amsterdam, in favour of parliaments being more closely associated with community procedures".

He claimed the ECB appeared determined to operate a far more restrictive information policy than found in the US, the UK or even Japan. Such an attitude was scarcely likely to encourage people to be more pro-European, he declared.

Reminding the ECB that the single currency was not an end itself but a tool to aid economic and social development, he added: "The peoples of Europe should be able to appreciate via their elected representatives whether monetary policy corresponds to this aim.

"The construction of Europe cannot go on long like this without encouraging the anti-Europeans and increasing misunderstandings". The ECB and its directors had to understand this.

The French parliament has yet to ratify the Amsterdam Treaty; hostility to the ECB could complicate the debate over signature.

Brussels delays decision on wine

By Samer Iskander in Strasbourg and Michael Smith in Luxembourg

The European Commission yesterday postponed by at least two weeks a decision on plans to increase subsidies to wine-makers by at least 30 per cent to help improve competitiveness.

The delay comes amid worries from US and South African wine growers that they will be put at an unfair disadvantage if the EU raises support for its vineyards.

US officials said yesterday they would view the proposals "with concern" to ensure they were in line with EU commitments to the World Trade Organisation.

Gunter Muller, South Africa's farm representative in Brussels, said his country was in principle against an increase in wine subsidies since its farmers received none.

The Commission said yesterday that the delay in making a decision did not reflect any opposition among Commissioners to the proposal.

However it is understood that some Commissioners, including Sir Leon Brittan, trade Commissioner, want to ensure the proposals were consistent with other reforms proposed by the Commission in its so-called Agenda 2000 package.

Wine reform is to be discussed at the Commission's weekly meeting on July 1.

Under the proposal of Franz Fischler, farm Commissioner, support for the sector would rise from a budget allocation this year of about Ecu800m ($879m) and a likely expenditure of about Ecu1bn to about Ecu1.3bn from 2000, when the proposals would take effect.

About Ecu400m would be spent on measures to upgrade vineyards. Support for direct market intervention, for example buying unwanted produce, would be reduced.

Mr Fischler argues the proposals are fully in line with WTO commitments. The EU provides three-fifths of the world's wine. Under commitments to the WTO, it is reducing export subsidies and import tariffs, and Mr Fischler believes improving the quality of exports is the best way of helping vineyards to compete.

Italians protest over threatened plant closure

By Paul Betts in Milan

More than 1,000 Italian chemical workers yesterday blocked the main railway to Venice in protest at the threatened closure of the vast petrochemical complex of Porto Marghera.

The protest follows the decision of a local prosecutor to order the shut down of the complex's waste disposal drain into the Venice lagoon, bringing to a head an environmental controversy over the impact of chemical waste on the lagoon city.

Enichem, the chemicals arm of the Eni oil and gas group, owner of the Porto Marghera complex, has appealed against the decision, arguing that it has not infringed any environmental waste disposal regulations. It backed up its case with independent reports by two separate US consultants which confirmed the disposal operations complied with existing regulations and did not cause any risk or damage to the environment.

Local authorities also criticised the decision, reflecting fears over possible job repercussions in the area. The closure of the drain would lead to the shut down of not only the petrochemical complex but of a number of other large chemical plants in the neighbouring area.

Enichem warned it could lead to the shut down of Italy's north Italian chemical industry. Unions said 20,000 jobs were at risk.

Luca Ramacci, the prosecutor who ordered the closure of the drain, launched his investigation into the environmental impact of the petrochemical complex on the Venice lagoon three years ago after the publication of a report by Greenpeace, the environmental action group. The report noted the presence of dioxin in the waters around Venice.

The prosecutor's decision brings to a head a controversy over the impact of chemical waste on the lagoon city

The co-existence of the petrochemicals complex and the historic but fragile city of Venice has been the source of intense debate. The government is now poised to introduce tougher environmental rules.

● Romano Prodi, Italian prime minister, said yesterday the state would retain a controlling stake in the energy company Eni after the sale of a fourth tranche of the group's shares, Reuters reports from Rome.

The Treasury announced on Saturday that it would sell 12.5 per cent of its remaining stake in Eni, taking its share of the group to around 38.7 per cent from 51.2 per cent. The Treasury is to keep a golden share in Eni, a measure which gives it veto rights over strategic decision-making of privatised companies.

"After the sale of the fourth tranche the Treasury will retain a high stake in the company, a stake which we could define as commanding," said Mr Prodi.

Success story in south Italy

What was regarded as an extravagant project has been transformed into the largest Mediterranean container port, writes **Paul Betts**

It is being touted as the success story of Italy's deep south. Romano Prodi, prime minister, never misses an opportunity to invite foreign officials and newspaper editors to Calabria, at the southern tip of Italy, to witness the economic miracle of Gioia Tauro.

In three short years, what was once regarded as a wasteful, extravagant project to industrialise the poor south of the country has been transformed into the largest container port in the Mediterranean. It also managed to break into profit for the first time in the first quarter of this year.

Yet the private sector architects of this remarkable achievement claim the centre-left government is threatening the future of the port. "Beyond all the fine words and propaganda, this administration has assumed a hostile stance to our successful venture," says Marco Vitale, chairman of Medcentre, the private company that developed and manages on a lease the Gioia Tauro port.

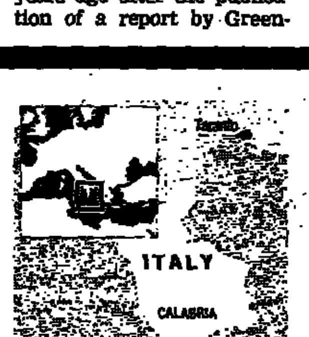
The root of the problem is the government's attempts to encourage the development of similar container ports in other parts of southern Italy and Sardinia, cloning the successful strategy of Gioia Tauro. "In so doing, they are putting our future viability at risk," explains Mr Vitale. "They don't seem to understand there is not enough room in the market for a multitude of container terminal hubs in Italy."

Conceived nearly 30 years ago as part of the Italian government's efforts to stimulate economic growth in the south, the port of Gioia Tauro was built at a cost of L1,100bn. It was originally designed as part of an ambitious steel complex to industrialise the area.

The steel complex was never built. For nearly 30 years, Gioia Tauro remained a backwater. Sheep grazed by the banks of the man-built deep water channel. Then, in the summer of 1993, Angelo Ravano, a shipping entrepreneur from Genoa, had the idea of developing the port as a Mediterranean container ship hub.

After developing a container terminal at the port of La Spezia, east of Genoa, he searched for other opportunities to expand. He first considered Malta. When he saw the potential of Gioia Tauro, he opted for the abandoned southern Italian port.

Mr Vitale acknowledges that Mr Ravano was given a strong helping hand by the then Italian government headed by Carlo Azeglio Ciampi, the current treasury minister. "In only three months we signed all the contracts and were ready to start a miracle in Italy," Mr Vitale recalls. A year later,



Mr Ravano died but his task was pursued by his son and business partners.

Since the original agreements with the government were signed three years ago, Contship, the container terminal group which controls the Gioia Tauro terminal, has invested L310bn including the EU's Ecu 40m contribution to develop the terminal. It is planning to spend a further L100bn by next year.

Although the government welcomes Gioia Tauro's success in establishing itself as a container hub, it does not want the port to gain a monopoly in Italy. The administration, especially Claudio Burlando, transport minister and a former mayor of the port city of Genoa, has encouraged the development of rival ports.

The government has attracted investment from large operators such as the Singapore Port Authority, which recently acquired the port of Genoa-Voltri from the Fiat automotive group. A dedicated container terminal is under construction at the southern port of Taranto for Taiwan's Evergreen conglomerate, and a new container hub is being built at Cagliari in Sardinia.

Contship says the government's strategy is misguided. Gioia Tauro already competes against other large Mediterranean hubs such as Malta and Algeciras in Spain.

Contship has just taken legal action against Cagliari, claiming the Sardinian project is benefiting from unfair subsidies. "We received European Union support for Gioia Tauro totalling about Ecu40m ($44.4m) but Cagliari is receiving much more aid. We are not against support but we want them to receive the same treatment as us to avoid any distortions in competition," insists Mr Vitale. If necessary, Contship intends to take the matter to Brussels.

Contship is also anxious that the government authorities should fulfil their pledge to invest L132bn to upgrade, as the landlord, the port area by the end of last November. The government's part of deal is running two years late. Medcentre is particularly keen to see the railway link to the terminal expanded and modernised. "One of our competitive advantages over Malta is that we also serve directly the continental mainland by road and rail," explains Mr Vitale.

Although volume of activity has shot up from 17,000 tonnes in 1995 to 1,448,500 tonnes last year, the port sees the proposed development of other container hubs as an extremely serious threat at a time of consolidation in international shipping. "Everybody in Italy now wants a hub. If we end up building them everywhere, we will all end up bankrupt," Mr Vitale warns.

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NEWS DIGEST

YUGOSLAVIA'S CONSTITUTIONAL CRISIS

Montenegro tries to stem Milosevic's power

Yugoslavia's constitutional crisis deepened yesterday when the Montenegrin parliament moved to block attempts by Slobodan Milosevic, the federal Yugoslav president, to boost his constitutional powers.

The Montenegrin assembly appointed 20 members from the reformist Democratic Socialist party (DPS) of President Milo Djukanovic as Montenegro's delegates to the upper house of the federal Yugoslav parliament. Mr Djukanovic, favoured by western governments, is locked in a power struggle with Mr Milosevic that threatens to tear apart Serbia and Montenegro, the two republics left in Yugoslavia.

The 40 seats in the upper house are divided equally between the two republics. Mr Milosevic will be denied the two-thirds majority he needs in both federal chambers to change the constitution to consolidate his powerbase after switching from the Serbian presidency a year ago.

The Montenegrin Socialist People's party of Momir Bulatovic, the federal prime minister and a close ally of Mr Milosevic, denounced a law passed on Tuesday that deprived his party of representation at the federal level "as a new act of secession" by Mr Djukanovic. The DPS pushed through the law after defeating Mr Bulatovic's party in general elections last month. **Guy Dinmore, Belgrade**

DIPLOMATS ALLOWED TO STAY

Belarus delays evictions

President Alexander Lukashenko of Belarus has put off a move to evict foreign diplomats from the housing complex where he lives, officials said yesterday.

Mr Lukashenko, whose authoritarian rule has repeatedly stirred controversy in the former Soviet republic, had earlier ordered 22 diplomatic families to move out of the Drozdy complex. He said the compound needed to be repaired.

But the International Monetary Fund's resident representative, Richard Haas, said that Mr Lukashenko had signed a decree letting the diplomats stay. It was not clear if the decree was temporary or permanent.

The row boiled over last week when Minsk ordered envoys to move out. At one point the US ambassador was shut outside the gate of his residence when workers, under orders from the government, welded it closed. **Reuters, Minsk**

AMSTERDAM STOCK EXCHANGE

Probe leads to arrest

An investigation into malpractice on the Amsterdam stock exchange has resulted in the arrest for the first time of a retail bank board member.

Thijm Korver of SNS Bank was being held yesterday on suspicion of making false declarations about transactions conducted in 1994 and 1995.

Mr Korver is the twentieth person to be arrested since the investigation began nearly eight months ago. One person has been convicted of tax fraud.

Rein van Zessen of the bank's SNS Securities subsidiary was among four people detained for questioning late last month. Others included stockbrokers at Credit Suisse First Boston and Oudhof Effecten, a local company, as well as the head of European investments at the metal industry pension fund. **Gordon Cramb, Amsterdam**

LITHUANIA TELECOM

Law boosts sell-off plan

Valdas Adamkus, Lithuania's president, yesterday signed a telecommunications law which paves the way for the privatisation next week of Lithuanian Telecom, the state-owned fixed-line monopoly.

The law, which parliament passed on June 9 after months of controversy, will grant Lithuanian Telecom a monopoly in fixed-line services until January 1 2003.

The monopoly rights are likely to raise the value of the bids for the state-owner carrier. Gediminas Vagnorius, the prime minister, said the law would strengthen the position of Lithuanian Telecom before privatisation on June 24. A consortium formed by Telia of Sweden and Sonera of Finland is competing against TeleDanmark in the bidding round. Analysts suggest the sale could make in excess of $600m for a 60 per cent stake in the carrier. **Matej Vipotnik, Riga**

HUNGARIAN ECONOMY

Pledge to attack inflation

The incoming Hungarian government will seek a minimum three percentage point reduction in inflation this year and next, but will introduce measures to achieve a cut of double that amount in 2000, Laszlo Urban, finance minister designate, said yesterday.

Fidesz, the rightwing party which won most seats in the general election last month, is currently trying to form a coalition government.

Mr Urban said a Fidesz-led administration would put job creation at the top of its priorities and would focus on small and medium-sized enterprises. Privatisation would continue, primarily via the capital market. Mr Urban said he planned to attack inflation, currently at just under 16 per cent, with four separate measures. Energy price increases would be indexed based on future expectations and not on past inflation figures, as now. Nominal wage agreements between private employers and the unions would be linked well in advance to expected inflation. **Kester Eddy, Budapest**

POLISH RAIL STRIKE

Government warns union

Poland's government threatened to sue the rail engine drivers union for damages after a strike yesterday affected around one third of passenger and freight traffic.

The strikers, who are not supported by the pro-government Solidarity rail union, are demanding a 15 per cent pay increase and a trebling of the 560m zlotys ($165m) budgetary subsidy Polish State Railways (PKP) is due to receive this year.

The union wants the government to slow the country's highway building programme and direct additional resources to developing rail freight traffic.

Jan Zaborowski, the strikers' leader, who is linked to the opposition former communists, said yesterday this was an environmental demand. **Christopher Bobinski, Warsaw**

STOCK EXCHANGE

Germany may change laws

An overhaul of German stock exchange laws and to encourage independently-managed pension funds could be included in a financial market reform package planned for after the general election in September, finance and justice ministries said yesterday.

In a joint paper, the two ministries backed centralising the control of stock exchange trading under the Frankfurt-based federal supervisory office for securities trading. Responsibility is currently shared with Germany's *Länder*, or federal states. **Ralph Atkins, Bonn**

Bavaria's farmers prepare to dig in over Agenda 2000

European Union's plan for agricultural reform is viewed as a cultural as well as economic threat, writes **Ralph Atkins**

Cowsheds tower protectively over Josef Schwäbl's rambling farmhouse in Ebersberg, an hour's drive from the Bavarian city of Munich in southern Germany.

"It is very beautiful here, but we have to fight hard to keep it as it is," he says.

Darkening the horizon is the European Union's planned Agenda 2000 agricultural reform, intended to reduce farmers' dependence on price subsidies and prepare EU finances for the planned inclusion of former communist countries.

Bavaria's farmers fear it will be at their expense.

"At stake," says Gerd Sonnleitner, president of the German farmers' association, "is the sustainability of Bavaria's culture." Bavaria's farmers, he warns, "bring greater sacrifice and engagement into our politics".

At one level, Bavaria's protests are about straightforward economics. Under Agenda 2000, milk farmers such as Mr Schwäbl would be hit by cuts in market intervention prices (the price that the EU seeks to ensure producers receive) of up to 17 per cent, which he reckons could cost him DM28,000 ($15,550) a year even after taking account of proposed direct compensation. The milk from his 65 cows is used for camembert, sold locally. But others would be hit by increases in milk quotas in Italy, the biggest market for Bavarian milk.

However, the conflict is also about sustaining an agricultural industry which accounts for only 1 per cent of Bavaria's gross domestic product but shapes the state's character: not just the scenic backdrop for its more important car, engineering and electronics industries, but also the state's politics.

Influenced largely by the agricultural lobby, Edmund Stoiber, Bavaria's conservative prime minister, who is regarded as among the less pro-European of Germany's politicians, has taken a prominent role in arguing for sweeping regional decentralisation within Europe.

Agricultural ministers from Germany's 16 states, or *Länder*, last month agreed a common position paper urging greater efficiency, simplicity and transparency through "a widening of the scope for regions to implement agricultural policies". Their line was endorsed earlier this month by the state prime ministers and Chancellor Helmut Kohl.

For now, Mr Schwäbl, 44, who farms 56 hectares, has to keep working out his sums. "It is damn difficult. You must always look to see how it can be done more simply, and think of something extra you can do."

He supplements his income by running a private contracting business, hiring out heavy farming machinery; his wife goes out to work. But Agenda 2000's complex proposals on compensation, he argues, disadvantage intensive farms such as his.

There are other obstacles. Bavaria's labour costs are high and the climate often difficult (minus 20 degrees in winter is not uncommon). The preservation of picture-book farms results from countless building standards and environmental regulations. But Bavaria's agricultural sector is still efficient, according to Mr Sonnleitner. "When I go into eastern Germany, the balance is worse than on our smaller Bavarian farmers."

Farmer Josef Schwäbl says he will be disadvantaged by the compensation proposals Stefan Rossmann

Cuts in EU beef, cereal and milk intervention prices are unnecessary, he argues, because higher demand worldwide is bringing consumption closer towards production levels, reducing surpluses. "We don't need a radical cut but a softer transition towards decoupling price and income policies."

That frustration lies behind the Bavarian government's proposals for an enhanced role for the regions in European agricultural policy-making.

"We're not Eurosceptics, but we represent a model that gives Europe more chance to create competition between the regions," says Reinhard Schick, responsible for federal and EU affairs at the agricultural ministry in Munich.

Already 4,000 to 5,000 agriculture-related businesses close every year in Bavaria. Despite Bavaria's relatively low unemployment, that is about as fast as is economically and socially tolerable, Mr Schick argues.

Bavaria wants a freer hand to continue its deliberate policy of preserving rural communities and avoiding the overgrowth of conurbations.

Mr Schwäbl is confident his business will survive to be taken over by his children, as he took over the farm from his father.

But he fears the consequences of Agenda 2000 for smaller neighbouring holdings whose buildings and fields define Bavaria's landscape. "The cows themselves could be taken over by other farmers. But the whole structure of Bavaria would change totally."

NEWS DIGEST

AMNESTY INTERNATIONAL REPORT

Governments paying 'lip service' to human rights

Amnesty International yesterday documented a year of atrocities, saying governments paid only lip service to human rights 50 years after signing up to a better world.

Releasing its 1998 annual report, the London-based group said cruelty and injustice remained rife despite the 1948 adoption of the Universal Declaration of Human Rights (UDHR).

Amnesty documented abuses in 141 countries, ranging from poverty to torture.

Since governments had fallen so short, Amnesty urged corporations to bring their influence to bear, saying: "The silence of powerful business interests in the face of injustice is not neutral." **Reuters, London**

ETHIOPIA/ERITREA

African presidents to visit

Four African presidents will visit Ethiopia and Eritrea this week to try to resolve a border conflict that Ethiopia says is worsening by the day.

As Ethiopia moved more militia toward the border with its Horn of Africa neighbour yesterday, its diplomats issued a grim warning days before the African leaders' visit.

"The crisis between Ethiopia and Eritrea, far from having shown any improvement, is in fact worsening by the day," it said in a statement through its United Nations mission in New York. **Reuters, Asmara**

ROYAL DUTCH/SHELL

Nigerian oil pumping resumes

Royal Dutch/Shell's Nigerian oil-producing unit said yesterday it had resumed pumping 50,000 barrels per day of crude out of 110,000 b/d shut in by protesting locals.

"We have been able to reopen Nembe 1 and Nembe 2 and production is up to 50,000 b/d," a company spokesman said in Lagos. "We expect that a third flowstation, Nembe 4 will be reopened tomorrow."

Four flowstations have been shut in the volatile Nembe district and one at Odeama since June 8, following community disturbances during which youths seized two water barges and forced Shell to suspend operations in the area.

Shell is a frequent victim of community disturbances in the Niger Delta region, where impoverished villagers feel cheated out of oil wealth. **Reuters, London**

US blow to hopes for a World Court

By James Blitz in Rome

Hopes of setting up a strong and independent international criminal court yesterday suffered a severe setback after the US made clear that any investigation by the institution would have to be initiated by the United Nations Security Council.

In the face of clear demands by most European Union states and Canada that the court should have an independent prosecutor and judges, Bill Richardson, US ambassador to the UN, said only the Security Council or one of its member states should have the right to initiate proceedings.

"We must not turn an international criminal court – or its prosecutor – into a human rights ombudsman open to, and responsible for, responding to any and all complaints from any source," Mr Richardson told an international conference in Rome that is drawing up the constitution of the ICC.

He said that unless this safeguard was introduced, the court would fall victim to a flood of politicised allegations that would make it hard for the organisation to deal with more considerable cases of genocide or crimes against humanity.

'It is shameful that any tyrant can block his own prosecution'

Noting that the US had long played a crucial peace-keeping role by sending troops to crisis zones, Mr Richardson raised concern that the court might allow groups or states to politicise the activities of servicemen and women abroad.

"Soldiers deployed far from home need to do their jobs without exposure to politicised proceedings," he said. "More generally, we are not here to create a court that exists to sit in judgment on national systems, to second-guess each action and intervene if it disagrees."

Mr Richardson's comments underline the concern of many participants at the congress that a group of powerful states – the US, France, China and Russia – want the Security Council, of which they are members, to remain the overall arbiter of what the court does.

Human rights groups fear this would let Security Council members veto any investigation against them or their armed forces that might cause embarrassment.

Richard Dicker, associate counsel of Human Rights Watch, said it was "shameful that Washington continues to leave open the possibility that any tyrant can block his own prosecution".

Mr Richardson appeared to indicate after his speech that there was little prospect of Washington ratifying an ICC treaty in the foreseeable future.

"Our position is not going to change," Mr Richardson told reporters. "This conference is not over... but we're very firm on that point," he said, referring to Security Council control.

Kofi Annan, UN secretary-general, said earlier this week that it would be better to launch a strong court without the US than a weak one with it.

Settlers urge Netanyahu not to pull back troops

By Judy Dempsey in Jerusalem

Israel's Jewish settlers are planning big demonstrations and sit-ins to prevent Benjamin Netanyahu, prime minister, from pulling back troops from some of the West Bank.

Settler leaders, supported by the National Religious party (NRP) in Mr Netanyahu's coalition, said yesterday they could topple the government if the redeployment went ahead.

Senior western diplomats said Mr Netanyahu "wanted" to hand back 13 per cent of land to the Palestinians over three months, in proposals drawn up by Washington. "But he keeps putting off the decision because he is afraid of losing his power base," said a diplomat.

His power base comes from the religious parties and from the far right, which include 168,000 settlers in the West Bank who voted for Mr Netanyahu.

Pinchas Wallerstein, chairman of Yesha Council, the umbrella organisation for all the settlements, said settlers would would set up a "tent city" outside the prime minister's office, and later outside the homes of government ministers.

In addition, he said the Yesha Council would continue to fly out members of Mr Netanyahu's Likud party and the NRP each Friday to show how Israel's security would be affected if the redeployment took place. Yesterday, it completed a direct mailing to every Israeli home.

Over the past few weeks, Mr Netanyahu has tried to reassure the settlers their security would not be compromised.

But as their opposition to a pull-back increases, so does the pressure on Mr Netanyahu.

If he carried out the second pull-back, the opposition Labour party would provide him with a "safety net" in a Knesset (parliament) vote, since the nationalists do not support the government.

But since the pull-back would be spread out over 12 weeks, Labour is not prepared meanwhile to block confidence votes – which would come from some of Mr Netanyahu's own parties. Ehud Barak, the Labour leader, would lose all credibility if that were to happen, said party activists.

Yet public opinion for carrying out the redeployment is increasing. An opinion poll in Yedioth Ahronoth, the Israeli daily, showed that about 59 per cent supported a 13 per cent pull-back.

A kinder, gentler Butler sees end to Iraqi arms inspections

As Baghdad's complaints grow louder, the chief UN weapons inspector has had to take a softer line, reports Roula Khalaf

On his latest trip to Baghdad, Richard Butler, the chief United Nations weapons inspector, praised Iraq for its co-operation and predicted it would continue and would allow him to present his final report to the Security Council in October.

Butler: now questioned thoroughly in Security Council

Mr Butler's optimism – many observers in Baghdad deemed it excessive – seemed in part designed to encourage Iraq to provide the remaining evidence he seeks before he can declare it has eliminated its weapons of mass destruction. But it also reflected the growing pressures on Unscom, the commission he heads, to show its own goodwill and produce results.

In the spotlight since the crisis in February in which the diplomacy of Kofi Annan, the UN secretary general, averted a military strike on Iraq, the Australian diplomat appears eager to deflect criticism that he and his agency deliberately contribute to a sense of crisis and to maintaining UN sanctions. The sanctions, now in their eighth year, can only begin to be lifted when Unscom presents a final report to the Security Council confirming Iraq has eliminated all its deadly weapons.

Times have certainly changed for Unscom. Until recently, its results were taken at face value by most countries and reports were not subjected to heavy scrutiny. Only the US and UK seemed to be paying close enough attention to the commission and contributed heavily to staffing it. This infuriated the Iraqis, not least because some inspectors came from the US military and raised Iraqi suspicions of spying.

But as Iraq's complaints grew louder, Mr Butler and his commission found themselves in a less comfortable position. Mr Butler and the inspectors are now questioned thoroughly in the Security Council. Russia and France have insisted on including their nationals in the small circle of advisers to Mr Butler, in an attempt to also check the powers of his American deputy.

One diplomat said bluntly that the diplomatic community in Baghdad is no longer eager to listen to Mr Butler on his visits. "Unscom has lost credibility," he said. "Now we rush to listen to the Iraqi side as well."

Diplomats remember that Mr Butler had also praised Iraqi co-operation while in Baghdad in March, only to produce a report in April which stressed that no progress had been achieved in the previous six months. Positive points they were told would be included in the report were nowhere to be found, they said.

They have also noticed that the issue of Iraq's eight presidential sites, which nearly led to war in February, seems now to have been forgotten. The first inspections of the sites did not uncover incriminating evidence and there are no immediate plans for repeat visits. Unscom officials said opening up presidential sites was important to fix the principle of access to inspectors. They have also charged that documents appeared to have been moved from the palace compounds before their visit.

To an extent, the erosion of support for Unscom reflects rising frustrations with the sanctions on Iraq and the pressure from some countries to find a less devastating policy for keeping Baghdad in check.

Unscom's defenders said a history of concealment by Iraq – it was only in 1995, for example, that it began to admit to a biological weapons programme – has delayed the inspectors' work and made them understandably suspicious. Officials said that even verifications successfully concluded may be imperfect because they are often based on declarations made by the Iraqis.

Ewen Buchanan, Unscom spokesman, said three independent panels of experts have found that Iraq's final declarations on its weapons were inadequate. "So the accusations that we are holding things up or making false judgments seem to be refuted by the three panels," he said.

But many western countries are still questioning whether Unscom is not picking on small details and basing demands for evidence on mere suspicions.

Many wonder why at least some of the remaining questions cannot be dealt with through the system of verification and monitoring, which would continue after sanctions are lifted. The system allowed Unscom to monitor 300 facilities – including plants, breweries and university laboratories – which can be considered of dual use, as well as to track whether equipment is moved.

"Unscom claims to have the best experts and they have had eight years to inspect," said a diplomat, "so if after thousands of inspections, they still don't know, how does that reflect on them and how long will it take, how many more years?" Unscom officials insisted moving to monitoring required it to understand fully Iraq's development programme, which it is far from being able to do in respect of biological weapons.

Perhaps most irritating to Mr Butler, the secretary general now has a special envoy, Prakash Shah, in Iraq who can directly convey Iraqi grievances to New York and keep an eye on Unscom. Said one expert: "Prakash Shah is shadowing Butler less and less silently."

US MARKETS EASIER ACCESS PLANNED FOR APPROVED COUNTRIES

Administration plea for Africa trade bill

By Mark Suzman in Washington

Top US administration officials yesterday urged the Senate to approve a trade bill designed to ease access to US markets for African countries with good political and economic track records.

Testifying before the Senate finance committee, Madeleine Albright, secretary of state, said passing the bill was one of President Bill Clinton's top legislative priorities and would help integrate Africa into the global marketplace.

"Throughout the continent, this legislation is seen as a catalyst for deepening reform and for opening the door over time to full participation for many African countries into the global economy," she said.

Mrs Albright was joined by William Daley, commerce secretary, and Lawrence Summers, deputy Treasury secretary, both of whom said the legislation was essential to bolstering US economic interests on the continent. The White House is keen to try to pass the bill before planned trips to Africa in July by Robert Rubin, Treasury secretary and in September by Mr Daley.

The Africa Growth and Opportunity Act would make it easier for African countries certified by the administration as having adopted suitable economic and political reforms to sell a range of manufactured goods into the US market. It would also establish a bilateral US-Sub-Saharan Africa Trade and Economic Co-operation Forum.

The House of Representatives passed the bill shortly before Mr Clinton made his historic visit to the continent in March, but the legislation has since been stalled in the Senate.

It is opposed by labour groups, which warn that more African imports would lead to US job losses. But Mrs Albright said studies showed the bill would affect at most around 700 jobs. "In the current economy we create more than 10 times that many jobs every day of the year," she said.

The bill also initially ran into opposition from South African President Nelson Mandela, who was concerned that the conditionality requirements could undermine the sovereignty of African countries. However, South Africa has now decided to back the bill, and in a letter to all 100 senators, the 48 eligible sub-Saharan countries have now urged the Senate to approve it. "This legislation presents a unique opportunity to build a new and dynamic partnership between the United States and Africa," they wrote.

Also testifying before the committee, Richard Lugar, the Indiana senator who is its chief sponsor, stressed that it was only through stimulating free market reforms in Africa that the US would be able to increase exports to the continent. "No one believes this bill is a panacea for Africa, but it is still very much in our interest to play a constructive role in the evolving political and economic transition in Africa," he said.

Albright: Clinton sees bill as priority

Canada in investment deal with Mercosur

By Edward Alden in Toronto

Canada and the four Mercosur countries of South America have signed a trade and investment co-operation agreement, a step Canada hopes will lead to more formal trade links with the region.

The agreement, announced yesterday, establishes a framework for negotiating bilateral foreign investment agreements, co-operating on customs matters and identifying measures that distort or impede trade and investment.

It will also establish a council of business leaders from the two sides to meet regularly to discuss trade and investment irritants.

Like the European Union, Canada has been pursuing separate trade relations with the Mercosur countries of Brazil, Argentina, Paraguay and Uruguay since the failure of the US administration to win fast-track negotiating authority.

The deal will allow serious talks to begin on more formal trade relations, said Sergio Marchi, the Canadian trade minister.

"Obviously we would like an enhanced formal relationship," said Mr Marchi. Options included associate membership in Mercosur, already enjoyed by Chile and Bolivia, or agreements to open trade on a sectoral basis, he said.

The agreement should also give momentum to negotiations on a Free Trade Area of the Americas, said Mr Marchi. Officials from the 34 FTAA countries are meeting in Buenos Aires this week to set the stage for formal negotiations in the next few months.

Yesterday's announcement is less ambitious than the 1995 EU-Mercosur pact under which the two regions agreed to negotiate a free trade arrangement. The EU is Mercosur's largest trading partner, but Mercosur-Canada trade is growing faster, surging by almost 50 per cent between 1994 and 1997.

The benefits for Canadian business include greater protection of foreign investment, removal of customs barriers and the opportunity to raise private sector concerns over trade irritants in a more formal, structured way, he said.

The deal was supposed to have been signed in January during a visit to Brazil by Jean Chrétien, the Canadian prime minister, but was blocked by Brazil over a separate trade dispute between the two countries' flagship aerospace manufacturers, Embraer and Bombardier.

The skies of Europe are freer – so far

Liberalisation has greatly increased competition and encouraged low-cost airlines, but alliances and airport congestion could undermine these gains, writes **Michael Skapinker**

The liberalisation of Europe's skies has resulted in a substantial increase in competition, although this could be undermined by the growth in airline alliances and by airport congestion, the UK's Civil Aviation Authority said yesterday.

In a 400-page report on the first five years of the single aviation market, the authority said national carriers' dominance of European Union scheduled flights had fallen substantially – from more than 80 per cent in 1992 to below 70 per cent last year. While European aviation liberalisation was completed in April last year, most elements of it have been in place since 1993.

The authority said the introduction of the single market had not led to a reduction in the number of European airlines: "Earlier concerns that liberalisation would lead to a wave of outright acquisitions or mergers, with the EU airline industry soon being reduced to a small number of major carriers, have so far proved to be ill-founded."

The greatest success has been the increase in the number of new competitors on Europe's domestic routes. The market share of the national carriers in their domestic markets fell from 75 per cent in 1993 to 60 per cent at the end of last year.

Liberalisation has also resulted in the growth of low-fare, no-frills carriers, which the report described as "one of the most striking developments in airline competition in Europe in the last few years, and possibly one of the more significant in the longer term".

Medium-sized airlines such as British Midland and Scandinavian carriers Braathens and Maersk have also substantially increased competition in Europe.

In spite of these successes, the report expressed concern about the possible effect of airline alliances. The biggest to be launched over the past five years is the Star Alliance, a global partnership whose European members are Lufthansa of Germany and Scandinavian Airlines System.

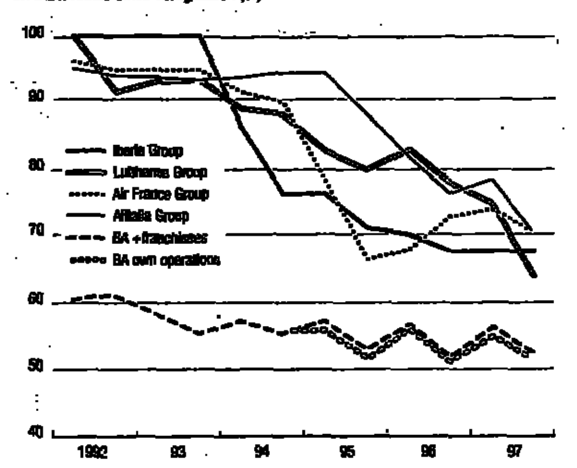
The European Commission approved the alliance between Lufthansa and SAS subject to conditions designed to encourage competitors to start services on routes between Germany and Scandinavia. However, no other airlines have tried to fly on these routes.

The authority said it was also worried about the substantial increase in links between large carriers and smaller airlines. "The point may soon come where few such airlines remain entirely independent of a national carrier."

Airport congestion was one of the most serious obstacles to competition. The most congested airports include London's Heathrow and Gatwick, Düsseldorf, Frankfurt and Charles de Gaulle in Paris. The CAA called for the legalisation of the buying and selling of take-off and landing slots, which is prohibited by the European Commission.

The Single European Aviation Market: The First Five Years, from Westwood Digital, PO Box 41, Cheltenham, Glos. £25.

National airlines' shares of domestic markets
On main routes since deregulation (%)



Source: CAA

Resistance to genetically modified crops 'hits US'

By Maggie Urry in London

US farmers will lose $200m worth of exports of maize to the EU this year, because of European resistance to genetically modified crops, a leading US official said at a conference in London yesterday.

Gus Schumacher, US undersecretary of agriculture, speaking at the International Grains Council annual conference, accused France of delaying approval of some genetically modified maize (called corn in the US). France was rapporteur on the proposal to approve three varieties of GM maize, and won EU approval in March. However, the proposal cannot be finally agreed until the rapporteur country "signs off".

France will hold a public debate on GM crops next week and could then approve the maize.

Mr Schumacher's speech is likely to raise the tension in EU-US trade relations over genetically modified crops. He said the US understood that biotechnology was "a sensitive issue here in Europe" and "we value a healthy scepticism".

However, he said, approvals of genetically modified crops by the US authorities had been made on the best scientific information, and "trade restraints put in place for health reasons must have a technological basis".

The US is pushing for a WTO standard to facilitate trade in biotech products.

Mr Schumacher said the production of GM maize in the US would double this year from 10 to 20 per cent of the crop.

He said GM crops, if "properly used and regulated", offered "abundant, affordable, nutritious and safe food supplies. We must not stifle scientific research."

Mr Schumacher said the US wanted the removal of unfair trade barriers, such as labelling requirements, to figure in WTO talks on trade in agricultural products, due to begin formally late next year.

The US also wanted the phasing out of export subsidies, the reduction or end of tariffs, the lifting or elimination of quotas, and the decoupling of government support payments from production to end trade distortion.

At the same conference the US came under fire from India over the patenting of a variety of Basmati rice.

Surjit Singh Barnala, the Indian food minister, said the grant of a patent to RiceTec, a Texan company, was "a classic case of economic hijack" and represented "a huge setback to the process of creating conditions for a just and fair international trade environment". He said patenting Basmati rice to be grown in America was "like saying that Scotch whisky can be made in India".

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AKER COULD FORCE CUSTOMERS TO BUY, CLAIMS COMPETITION BUREAU CHIEF

..nswers antitrust critics

..eral Trade ..on hit back at ... of its high-profile ..ust action against Intel ..., arguing that the world's largest chipmaker could force customers to buy its technology unless its business practices were curbed.

William Baer, director of the FTC's bureau of competition, said the antitrust lawsuit was vital to stop the chipmaker abusing its monopoly power to compel the computer industry to buy its technology.

The FTC's comments indicate it may be sympathetic with broader allegations in the computer industry – not part of the antitrust action – that Intel has sought to extend its dominance in microprocessors to related technologies and products.

Intergraph, the computer workstation manufacturer at the heart of the FTC action, last week alleged that Intel had sought to force out of the market other manufacturers of chips which work with microprocessors.

The FTC action alleges that Intel coerced three companies to settle patent disputes by denying them crucial technical information. Intel admits it withheld the information, but strongly rejects the accusation that its actions were illegal.

The FTC says it is continuing to investigate other issues surrounding Intel which may lead to a further antitrust lawsuit.

Mr Baer rejected criticism that the FTC's action was a narrow case which did not justify government involvement. "The long-term competitive concern is that all innovation will have to go through Intel, which will be able to use its market power to force people to license its ideas," he said.

He defended the pre-emptive nature of the FTC action, saying the commission needed to win a court order to prevent Intel from abusing its monopoly power in the future.

He also rejected claims that the FTC had failed to show that Intel had caused substantial harm to the three companies named in its lawsuit – Intergraph, Digital Equipment and Compaq Computer.

"You do not need to show that the monopolist has raised prices or restricted output to show a violation of the antitrust laws," he said. "It is in my view unlawful if the intent is to impede the ability of rivals to compete, and it is conduct by a monopolist that lacks an efficiency-enhancing justification."

Alan Greenspan, chairman of the Federal Reserve, this week attacked antitrust officials for seeking such pre-emptive action, and questioned their ability to forecast how markets will evolve.

Mr Greenspan said the pace of technological change – rather than government intervention – was undermining the monopoly power of US companies.

'Citizen Kane' leads America's greatest

By Christopher Parkes in Los Angeles

A new chapter was added to the book of cinema trivia this week with the solemn, if premature, naming of The 100 Greatest American Films of All Time.

As *Titanic* prepared to surrender its place in today's box office top 10 after six buoyant months, *Citizen Kane* arose from the archives after 57 years as the film it will have to beat whenever the American Film Institute prepares its next "best-ever" list.

Launching a thousand bar-stool debates, an 18-month cycle of television reruns and the June 29 cinema re-release of fourth-ranked *Gone with the Wind*, the 1941 Orson Welles *meisterwerk* edged *Casablanca* into second place on Tuesday night.

The Godfather of 1971 took third, and *The Godfather II* had the edge over *High Noon* a third of the way down the rankings. The 100 were chosen by 1,500 film industry luminaries from a shortlist of 400, including all 70 winners of the annual best picture Oscar, which had been boiled down from a qualifying roster of about 40,000 feature films.

Strict qualification criteria, that all entrants had to be US-made or financed, allowed the dollar-backed UK creation *Bridge on the River Kwai* to sneak in at number 13.

Another hybrid, *Lawrence of Arabia*, ranked fifth; its stablemate, *Dr Zhivago*, finished 39th, in the middle of a cluster of doomed love stories including *Double Indemnity* and *West Side Story*.

Because "all time" officially ended with 1996, *Titanic* and other more recent contenders were left out of the running; modern special effects won heavily as five Steven Spielberg films ended up in the top 100.

Trumpeted in a three-hour CBS show timed more or less to coincide with the US film industry's approximately 100th anniversary, this week's Super-Oscar winners will be aired, again, over the next 18 months on Time Warner's TNT cable network.

The official AFI top 10 films of all time

1 Citizen Kane 1941
2 Casablanca 1942
3 The Godfather 1971
4 Gone with the Wind 1939
5 Lawrence of Arabia 1962
6 The Wizard of Oz 1939
7 The Graduate 1967
8 On the Waterfront 1954
9 Schindler's List
10 Singin' in the Rain 1951

The people's choice

The Top 10 American films "of all time" as selected by visitors to the AFI website*

1 Casablanca 1942
2 Gone With the Wind 1939
3 Citizen Kane 1941
4 The Godfather 1972
5 Star Wars 1977
6 The Wizard of Oz 1939
7 It's a Wonderful Life 1946
8 Schindler's List 1993
9 Psycho 1960
10 Ben-Hur 1926

*AFI.100movies.com

Dooley Wilson and Humphrey Bogart in Casablanca

Argentina to cut spending plans

By Ken Warn in Buenos Aires

Argentina has ditched ambitious spending plans in an effort to shore up confidence in the economy in the face of continued international market turmoil.

The government has shelved a $10bn plan to extend its motorway network and put on hold plans to fund a pay rise for teachers with a new $700m tax on car sales.

The moves are seen as a victory for Roque Fernández, economy minister, who has fought a rearguard action to keep the lid on government spending in the run-up to next year's presidential elections.

"The idea is to strengthen the state's financial situation," Mr Fernández said. "We don't want to tie up future government revenue." The motorway plan and teachers' pay rise both had the explicit support of President Carlos Menem, but were criticised by the International Monetary Fund, which urged that any extra spending be financed by cuts elsewhere.

In April, the IMF urged Argentina to take measures such as raising taxes and bank liquidity requirements to slow domestic demand and guard against a possible shift in international investor sentiment.

The Merval leading share index fell just under 5 per cent on Tuesday, making a loss of almost 12.5 per cent over five trading sessions.

NEWS DIGEST

US MILITARY

Report urges pull-out from Japan and Korea

A prominent taskforce of Americans from the diplomatic, military, business and academic communities has recommended the US should consider withdrawing most of its troops from Japan and Korea. The report by the Washington-based Economic Strategy Institute said the US should recognise the "steady increase in nationalistic political pressures within Japan for greater autonomy in defence and foreign policy". It said the US should declare its readiness to withdraw all combat forces from Japanese bases on two conditions: that Japan agrees to joint use in peacetime of the Yokosuka and Sasebo naval bases for the US Seventh Fleet, and provides US access to all its bases in the event of a military emergency if Japan supports US intervention.

"Withdrawal of US conventional combat forces from Japan would not alter the applicability of the US nuclear deterrent to Japan under the Security Treaty," the report said. The taskforce also said that open-ended presence of US troops in South Korea "adds to the North's sense of insecurity and the South's desire to impose a settlement on its own terms." The US no longer needed a military alliance in South Korea as a response to the Soviet and Chinese military alliances with the North. **Nancy Dunne, Washington**

BRAZIL TELECOMS

Telebrás sale may be delayed

Brazil's communications minister Luiz Carlos Mendonca de Barros said yesterday the sale of Telebrás, the federal communications company, scheduled for July 29, could be delayed by a few days due to legal challenges. Brazilian state sell-offs are usually plagued by anti-privatisation lawsuits filed by nationalist groups and labour unions.

The minister has said the government is committed to its timetable for selling Telebrás, even though pressure for a postponement has been mounting because of the sale's complexity, requests by interested bidders, and jitters over Asian turmoil. **Reuter, São Paulo**

CORRECTION

US consumer prices

Due to an editing error in yesterday's Financial Times, we stated that US consumer prices rose 3 per cent in May instead of 0.3 per cent. We regret the error.

Washington allows aid payments to decline

By Robert Chote, Economics Editor

US aid payments to developing countries fell to barely a tenth of the level recommended by the United Nations last year, according to figures due to be published by the Organisation for Economic Cooperation and Development today.

Draft figures from the Paris-based industrial country think-tank suggest that US overseas development assistance fell by around $3.2bn last year, to just over $6bn.

This is equivalent to approximately 0.08 per cent of gross national product, far below the 0.7 per cent recommended by the UN. The figure has fallen from 0.12 per cent in 1996, which was already by far the least generous contribution of the leading industrial countries.

The decline is explained in part by the fact that Israel – an important recipient of US aid – is no longer classified as a developing country.

According to the World Bank, and adjusted for international price differences, Israel was the world's 19th richest country in 1996 with a gross national product of $18,100 per head.

The importance of Israel to the US aid budget was demonstrated in 1996. Legislative delays meant that aid as a share of GNP rose by a quarter between 1995 and 1996 because two years' grants to the country were counted in a single year.

Aid has fallen to 0.08% of GNP, far below the 0.7% recommended

For the industrial countries as a whole, the OECD figures will show that development assistance has fallen to around $47bn from the $55.4bn recorded in 1996. Half this decline is explained by the strength of the dollar last year, which means that aid payments by other countries were worth less in terms of the US currency.

Excluding the impact of nations "graduating" from developing country status, there was an underlying fall in industrial country aid flows last year of 3 per cent.

The draft figures imply that aid as a share of industrial country GNP has fallen to an average level of 0.22 per cent, down from 0.25 per cent in 1996 and the lowest figure since records began.

In 1996 the share of GNP devoted to development assistance by the industrial countries was highest in Denmark at 1.04 per cent of GNP. If the US had matched this figure, it alone would have contributed $81bn.

The other most generous donors were Norway, Sweden and the Netherlands, which each gave more than 0.8 per cent of GNP. France and Luxembourg contributed around 0.45 per cent, with every other country – bar the US – giving between 0.2 and 0.35 per cent.

However, because of the size of their economies, Japan and the US were the biggest aid donors in absolute terms in 1996. Germany and France were close behind, but well ahead of any other countries.

LEGAL NOTICES

IN THE COURT OF SESSION

AUTOMATIC OIL TOOLS LTD
(In Liquidation)
RIGHT OF SHAREHOLDERS TO SHARE IN SURPLUS ASSETS

NOTICE IS HEREBY GIVEN that, in the liquidation of Automatic Oil Tools Limited, a Company incorporated under the Companies Acts and having its Registered Office at 49 Bath Street, Glasgow ("the Company"), a Note has been presented to the Court of Session in Scotland ("the Court") by Maurice Charles Withall and Duncan Donald McGruther, Chartered Accountants, of Melton Street, Euston Square, London and 112 West George Street, Glasgow, joint liquidators of the Company. In that Note the liquidators seek inter alia an order under section 148 of the Insolvency Act 1986 settling a list of contributories of the Company (as defined by section 74 of that Act). Only the contributories on the list settled by the Court will have the right to participate in the surplus assets of the Company now available for distribution to its shareholders. On 5th June 1998 the Court ordered that any person claiming to be a shareholder of the Company should lodge Answers at the office of the Court, Parliament Square, Edinburgh EH1 1RQ within 28 days after the date of this advertisement.

MacRoberts
27 Melville Street
Edinburgh EH3 7JF
Agents for the liquidators.

No. 002602 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ITE GROUP PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 10 June 1998 confirming the reduction of the share capital of the Company from £8,000,000 to £2,716,194.56 and cancellation of the share premium account of the Company in the sum of £4,605,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 11 June 1998.

Dated this 16th day of June 1998.

From Cholmeley Bischoff
4 John Carpenter Street
London EC4Y 0NH

Ref: SIH/SJ/XM

Solicitors to the above-named Company

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SUPPORT FOR YEN ALARM GROWS IN WASHINGTON AS ASIAN CAPITALS WARN OF THE RISKS FROM AN INCREASINGLY WEAK JAPANESE CURRENCY

Big change of heart prompts US intervention

By Peter Montagnon in Tokyo

The surprise intervention by the US and Japan to support the yen in foreign exchange markets may come to be seen as a pivotal moment in the drawn-out history of the Asian financial crisis.

For it marks an open admission by the authorities in both countries of the risk to world economic stability from Japan's deepening recession and an abrupt shift in US policy which has hitherto been set against intervention to try and support the flagging yen.

As the Japanese currency fell sharply last week Robert Rubin, US Treasury secretary, said intervention would not solve Japan's fundamental economic problems. Only action by the Japanese government could do that.

The change of heart is a measure of the extent to which the US has become alarmed in recent days about the risk of a weak yen setting off a chain of further devaluations across Asia, most notably in China.

Hitherto China's refusal to devalue has made it a beacon of stability in the region and also helped preserve Hong Kong's currency peg, which is seen as vital to stability in Asia's second largest financial centre.

The chorus of complaint has been loud from other parts of Asia, too. Supachai Panitchpakdi, Thailand's deputy prime minister, warned this week that the yen's weakness could trigger a second Asian crisis which would result in a world depression. "This shock may spill over globally and menacingly, more than anything the world has seen in the last 40 years," he said.

Calls from China for action on the yen have been growing more strident by the day. Yesterday Sun Zhenyu, vice-minister for international trade, warned openly that China would have to devalue if a tumbling yen hit its exports. "Japan is our largest export market, our largest trading partner. That's why the yen's large scale depreciation has had major negative effects," he said.

Add to that signs that nervousness about Asia was spilling over on to Wall Street, as well as President Bill Clinton's desire not to visit China next week amid a serious economic and financial crisis, and it is clear why the US felt impelled to act. Less certain is whether the intervention will bring lasting calm to markets that were still displaying signs of nervousness yesterday.

The statement from Ryutaro Hashimoto, Japan's prime minister, that Japan would respond to the US initiative by moving to expedite a solution to its chronic banking problems and accelerate implementation of the Y16,650bn ($115bn) fiscal package announced last month indicates that Japan is willing to pay a considerable price for US support. Both the banking and fiscal measures should be welcomed by the market which have been searching anxiously for a sign that Tokyo was prepared to take the country's mounting problems seriously.

In particular, concern is focusing on the weakness of the banking system, where loans which turned sour after the 1980s property bubble burst have still not being fully accounted for.

The Bank of Japan governor, Masaru Hayami, yesterday urged banks to make further efforts towards full disclosure of bad loans "so as to wipe away the anxiety over the financial system," and there have also being similar calls this week from officials of the governing Liberal Democratic party.

But much still depends on the outcome of this weekend's meeting of senior officials from the Group of Seven countries in Tokyo.

One of the concerns of the outside world had been Japan's apparent denial of its problems. "Clearly the stress levels have been rising and the perception was that the Japanese were not apprised of the tremendous anxiety in the rest of the world," said Peter Tasker of Kleinwort Benson Securities.

If Japan had previously preferred to gloss over the extent of its problems, it will have less of an excuse to do so now that the rest of the world is so deeply engaged.

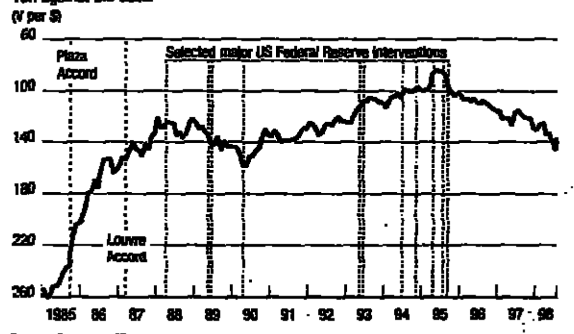
Currency market support seen as short-term jolt

US analysts say the intervention will do little to affect fundamental forces

By Richard Waters in New York

Currency politics

Yen against the dollar (¥ per $)



Source: Datastream/ICV; Federal Reserve

Intervention on behalf of the yen may have delivered a short-term jolt to the currency markets, but it will do little on its own to alter the fundamental forces that have been driving western bond markets higher, according to US analysts and economists yesterday.

In spite of this, the action by the US and Japanese authorities was broadly welcomed in financial markets for providing at least a short-term respite after the potentially destabilising flight from Asian capital markets in recent weeks.

"Intervention is a temporary alleviation of a problem that has to be solved fundamentally," said Larry Wachtel, market strategist at Prudential Securities.

That view was echoed by other economists, who added that the underlying problems of the Japanese economy remained unchanged.

"The outlook for the yen is still lousy," said Martin Barnes, an economist at Bank Credit Analyst.

Yesterday's intervention had been timed well to deliver a sharp reversal to currency speculators, market analysts said.

The large gap between US and Japanese bond yields has stimulated a steady flow of capital from Japan to the US for some time, and this had been exacerbated by the flight to quality that developed in recent weeks as Asian markets took another turn for the worse.

This was likely to provide only a temporary respite to buy time for Japan to find longer-term solutions to its vicious economic contraction, said Mr Barnes.

Previous bouts of official intervention in the currency markets suggest that the threat of further action may help to douse the speculation for some weeks.

The last time the US authorities intervened in the markets, when it sold the yen and the D-Mark to buy dollars in 1995, the intervention came in three stages over a period of six weeks.

The dollar's reversal produced only a modest fall in bond prices

Other interventions have also come in stages, a history that is likely to dampen the enthusiasm for hedge funds and others to take a position against the yen.

The dollar's reversal produced only a modest fall in US Treasury bond prices after the surge of buying in recent days, a fall that reflected the strong underlying fundamentals for the bond market, traders said. The yield on the 30-year Treasury bond rose to 5.718 per cent during the morning, but remains close to its record low.

"This is still a good time to buy bonds – it doesn't matter whether the dollar is at 142 yen or 137 yen," said Mr Barnes. The overcapacity and economic decline in Asia would still exert a strong disinflationary on the world economy, he added.

The official move in the currency markets also contributed to a bounce in western stock markets yesterday, as investors interpreted the move as a sign that the Japanese authorities would now be forced to pay closer attention to US demands for the sort of policy changes that would kick-start its sliding economy.

The threat of a spreading debt deflation in Asia has hung over US stock markets in recent weeks, contributing to fears that the boom in US corporate profits would soon come to an end. Any signs that the policy impasse would be overcome could be broadly positive for corporate earnings, according to this view.

MARKET ACCESS SUCCESS FOR TITANIC TEMPTS STUDIOS TO SEEK FUTURE PROFITS

Clinton will lobby China to let Hollywood show its wares

By Alice Rawsthorn in London and James Harding in Shanghai

President Clinton plans to lobby Beijing during his forthcoming visit to China to allow Hollywood movie studios greater access to the Chinese market.

For decades after the 1949 Communist Revolution, China's leadership was openly hostile to Hollywood, viewing it as emblematic of western decadence. The government Propaganda Department authorised the first US film for release in 1995, and has since permitted a dozen to be shown each year.

Jack Valenti, president of the Motion Picture Association, the body which represents the Hollywood studios, said the US would present proposals for China to increase progressively the number of pictures allowed into the country.

"We're trying to open up the Chinese market on a gradual basis, by suggesting that they take, say, seven more US movies next year, and another 10 the year after," he said. In return, the MPA may offer to promote Chinese films in the US.

Mr Valenti discussed the China issue with President Bill Clinton at a meeting in Washington a fortnight ago. He talked it over last week with Madeleine Albright, the US secretary of state.

The Chinese authorities appeared to soften their attitude to Hollywood movies earlier this year, when *Titanic* was distributed to cinemas all over the country with a personal endorsement from President Jiang Zemin, who urged his Politburo colleagues to see it.

The popularity of what was seen to be a politically innocuous Hollywood movie may have eased senior officials' entrenched resistance. Chinese censors had previously warned that US pictures would spread "spiritual pollution" in society, and local film-makers voiced concern about a flood of foreign competition.

Titanic also demonstrated the growing commercial potential of the Chinese cinema market, by grossing a record $35m.

Tickets cost up to RMB80 ($10) in Shanghai during its first few weeks on release, at least triple the normal price. Before *Titanic*, the highest grossing US film in China was *True Lies* starring Arnold Schwarzenegger.

China Entertainment Network, a Shanghai-based consultancy, estimates that $200m-worth of cinema tickets were sold in China last year. In spite of the low short-term returns, Hollywood sees China as a potentially promising market for future box office revenue and film-related merchandise.

Mr Valenti is adamant that the MPA would continue to resist pressure from the Chinese to control the content of US movies. China has recently complained about Martin Scorsese's *Kundun* and *Seven Years In Tibet* starring Brad Pitt.

"I've tried to explain to the Chinese that Hollywood makes movies where the president of the United States is the villain," said Mr Valenti. "And no-one tries to stop them."

Washington and Beijing to point missiles away

By James Harding

China and the US are in the final stages of talks on an agreement not to aim nuclear warheads at each other's countries.

The deal on "detargeting", which officials hope will be concluded in time for President Bill Clinton's visit to China next week, is intended to underline a new era of peaceful co-operation in Sino-US relations.

A foreign policy adviser to Chinese president Jiang Zemin said: "There may be an agreement on detargeting because that would be very symbolic... There is a working group considering the implications."

The move to redirect nuclear weapons away from targets in the US and China would primarily be a gesture of goodwill, as officials in China said the warheads could be "retargeted" within a matter of minutes.

The signal that China is considering a bilateral detargeting deal marks a small but important shift in the Chinese leadership's attitude – Beijing has previously indicated China would only detarget on condition the US make a nuclear "no first use" pledge, which Washington considers a pillar of its deterrence strategy.

Mike McCurry, the White House spokesman, confirmed earlier this week that Washington was hoping to secure a deal to prevent China and the US from targeting each other with nuclear weapons as part of bilateral "confidence building" measures.

A detargeting deal "is something that lends some measure of stability to the concept of deterrence and in that respect enhances the security of both sides. That is why we negotiated just such an agreement with Russia," Mr McCurry said.

China and the US do not give details of the targeting structures of their strategic weapons. But according to a report in the Washington Times last month, the US Central Intelligence Agency has concluded that 13 of China's 18 nuclear intercontinental ballistic missiles have been targeted on US cities. These calculations are based on the angles of shadows picked up by US spy satellites, officials have said.

● China said yesterday it was implementing immediately regulations controlling export of nuclear equipment and technology with dual civilian and military uses. The news comes after increased US pressure on China following nuclear tests by India and Pakistan.

Unofficial contacts still crucial in oiling China's relationship with US

Clinton visit to Beijing is part of a scheme to 'regularise' links. **James King** reports

Clinton in China

Subtle hints and veiled overtures have always been a part of the modern relationship between the US and China. Chairman Mao Zedong's first signal that he wanted to explore ties with the US was to have Edgar Snow, a US journalist, stand next to him at an important function. But the message was so subliminal that the US, at first, failed to spot it.

But things have developed considerably since that sign and the "ping-pong diplomacy" that presaged Richard Nixon's historic summit in 1972. Informal contacts have proliferated and, especially in sensitive areas such as the military relationship and the question of Taiwan, there is evidence that they have become crucial to building trust.

The summit between President Bill Clinton and President Jiang Zemin this month is being portrayed as a "regularisation" of ties, as both sides seek to remove the stigma of 1989's Tiananmen Square massacre. "There was a massive rupture in our relations in 1989, so in a sense I view what is happening now as a kind of normalisation," said Kenneth Lieberthal, University of Michigan politics professor.

But the expanding official ties expected to follow the summit will not render informal contacts redundant. There remain many delicate areas of the US-China relationship for which the camouflage afforded by scholarly exchanges, friendship associations and other unofficial umbrellas is useful.

The point is illustrated by intriguing visits to China and Taiwan earlier this year by Joseph Nye, a former US assistant secretary of defence for international security affairs. He is now dean of the John F. Kennedy School of Government at Harvard University.

From China's perspective, the issue of Taiwan, which Mr Nye addressed in meetings in Beijing and then Taipei, is of paramount importance to the US-China relationship. Mr Nye offered a new formulation, senior Chinese officials said, which aimed to reduce tension by informing Taiwan that the US would oppose any move for Taiwan independence but would also help Taipei expand its ties in international organisations which do not require statehood.

This aspect of Mr Nye's new formula sought to address China's main concern – possible Taiwan independence – and one of Taiwan's greatest frustrations; its dwindling international recognition.

Two senior Chinese officials said they believed Mr Nye's overture may be future US policy in an initial, exploratory form. Mr Nye, who came to China in an unofficial capacity, could not be reached for comment. But there is no question that his trip, which was followed by a similar mission from William Perry, a former defence secretary, has aroused new hope in Beijing for the US-China relationship.

Chinese officials said that the first place they heard Mr Nye's new formula was at a conference at Harvard organised by the Kennedy School's "China Initiative", a programme which aims to build bilateral understanding through high-level exchanges. The initiative was launched in 1996 and is funded through a $7m donation from Nina Kung, a Hong Kong businesswoman.

One of many US and Chinese organisations furthering informal ties, the China Initiative also conducts exchanges with senior officers of the People's Liberation Army and Chinese civil servants. The topics discussed during meetings between US military experts and Chinese counterparts included "the future of nuclear weapons doctrine and force structure" and "theatre and national ballistic missile defences".

'If we lobby, then suddenly people start talking about a communist threat'

The aim is to increase trust between the two militaries by increasing transparency. The extent to which policy issues, such as the mutual de-targeting of US and Chinese missiles, figure in these informal contacts between military elites is not clear. But the topics already discussed are nothing if not substantive.

Other unofficial contacts serve a somewhat different purpose. Chinese officials said a "perception gap" on Capitol Hill about the nature of the ruling Communist party hobbles Beijing's diplomatic initiatives in Washington. "If the Taiwanese lobby on Capitol Hill that seems to be fine. But if we lobby, then suddenly people start talking about a communist threat," said a senior Chinese official.

In order to remake China's image, more than 100 US congressmen were received in Beijing last year, mainly by the Chinese People's Institute of Foreign Affairs, an unofficial organisation which nevertheless has close links with the foreign ministry. They are taken through a programme which accentuates China's modernity, free market reform and almost total lack of communist dogma.

The Communist party itself has signalled a wish to pursue a more informal brand of diplomacy than that practised by the state. Dai Bingguo, head of the party's international department, indicated in a recent interview that the party was ready to establish ties with the Republicans and Democrats in Washington.

He said that the party would not export its ideology but could "study, learn and borrow from foreign political parties anything favourable to us". The advantage for foreign counterparts would be access on a relatively informal basis to China's highest authority.

Seoul to draw up company 'death list'

By John Burton in Seoul

South Korea today is expected to unveil a "death list" of up to 50 troubled companies that will be targeted for liquidation as the government of Kim Dae-jung tries to breathe new life into its struggling economic reform programme.

The action is meant to speed corporate restructuring and prevent ailing banks from throwing good money after bad in propping up failing industries.

News of the impending announcement helped the Seoul bourse yesterday to stage its biggest ever daily rally of 8.5 per cent to 303.81 points. This was based on the belief that foreign investors, reassured about the pace of economic reforms, would not continue to pull funds out of financial markets and cause the Korean currency, the won, to fall.

Under earlier government pressure, the banks had provided Won3,000bn ($2.2bn) in emergency loans since October to 11 conglomerates, or chaebol, on the brink of collapse to avoid a surge in unemployment.

The banks also wanted to prevent big bankruptcies that would have lead to more bad loans, which threatened to wipe out their equity and cause their closure. The government is expected to rule on the fate of 12 troubled banks by July.

Mounting criticism from foreign investors that economic reforms have become bogged down forced the government's new financial supervisory board last month to order the banks to draw up a list of companies that are unlikely to survive even if present high interest rates fall back to normal levels.

The big chaebol have been blamed for excessive borrowing to support reckless expansion

The banks initially were reluctant to include subsidiaries of Korea's five biggest *chaebol*, which are their biggest borrowers and considered the most creditworthy, and instead focused on smaller industrial groups.

That brought a strong rebuke from Mr Kim who told the banks to review debt-heavy units of the top five conglomerates, which include the Hyundai, Samsung, LG, Daewoo and SK groups.

Local reports yesterday suggested that 20 of the estimated 50 companies included on the "hit list" were top five *chaebol* subsidiaries. Banks would cut lending to companies on the list.

If so, this would represent the first significant effort by the Korean government in curbing the economic power of the big *chaebol*, which have been blamed for the nation's financial crisis because of excessive borrowing to support reckless industrial expansion.

Mr Kim has also accused the *chaebol* of blocking economic reforms by refusing to implement drastic restructuring that would reduce their debt burdens, which amounted to more than five times equity last year.

Officials yesterday indicated that another round of corporate pruning may soon occur by having the fair trade commission, the *chaebol* watchdog agency, conducted a new review that would use a broader set of criteria and a tougher look at corporate financial records.

The government is also pushing for a swap of assets among the big *chaebol* to promote industrial rationalisation. This followed recent reports that Hyundai, Samsung and LG were discussing an exchange of assets in a deal brokered by the government.

Hyundai would cede control of its petrochemicals unit to LG, a leader in the industry, and LG would hand over its semiconductor company to Samsung, the world's biggest producer of memory chips. In return, Hyundai, Korea's biggest carmaker, would take over Samsung's new car subsidiary.

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MONETARY POLICY ANALYSTS SAY INTEREST RATE INCREASE VINDICATED AS FIGURES SHOW INCREASE IN EARNINGS

Economy set for period of 'stagflation'

By Richard Adams and Sheila Jones

The UK economy looks on course for a bout of "stagflation" after figures published yesterday showed accelerating earnings and the first increase in unemployment for two years.

Average earnings in the February-April period were 5.2 per cent up on a year before, compared with annual growth of 4.9 per cent a month earlier. Analysts said this vindicated the decision to raise interest rates earlier this month by the Bank of England, the UK central bank.

The number of people out of work and claiming benefits increased by a seasonally-adjusted 1,700 in May – the first rise in the jobless total since March 1996.

But the Office for National Statistics said that the underlying trend, based on an internationally comparable measure, remained downward.

"The labour market data show a nasty mix of slowing growth and stubbornly buoyant pay," said Michael Saunders, UK economist at Salomon Smith Barney, the investment bank.

"Although the economy is clearly slowing, unless upcoming activity data are very weak, it looks as if rates will rise 0.25 percentage points in July in order to to ensure a longer and deeper slowdown," Mr Saunders said.

Short-term future contracts were again heavily sold off in London, and now imply a further interest rate rise by the Bank's monetary policy committee before the end of the year.

The committee raised base rates to 7.5 per cent this month after average earnings figures showed an annual increase of 4.9 per cent. Northern Rock bank yesterday raised its standard mortgage rate by 0.45 percentage points to 8.95 per cent, reflecting the change in base rates.

Private sector pay continued to concern policymakers. It increased at 6.1 per cent over the past year, although the ONS said big bonus payments in February and March continue to distort the underlying increase. The ONS estimates that excluding bonuses, private sector earnings increased from 4.8 to 5 per cent.

The Treasury said private sector earnings "gives serious cause for concern". This was echoed by David Blunkett, the chief employment and education minister, who told the British Chambers of Commerce conference in Birmingham, England's second biggest city, that rising wages threatened to "destroy the enormous prize of economic growth and stability".

But John Entwistle, the BCC president, said companies were "tired of being nannied" on wages. "The aim of business is to minimise costs but many increases are a necessary response to skills shortages in key areas of demand," he said.

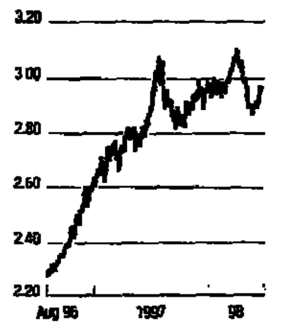
See Lex

Pound's recent revival intensifies worries of exporters

The pound's revival over the last two weeks has intensified worries of a recession in the UK's export sector and added to the headaches of monetary policy makers, **Daniel Dombey writes.** Yesterday sterling ended London trading at DM2.9702 to the D-Mark, 10 pfennigs higher than it stood on May 21. "Pundits who were thinking the pound would head down from DM2.87 to DM2.60 will have to think again," said Paul Chertkow, at Bank of Tokyo-Mitsubishi. "The pound's been at DM3.10 before and at current levels there's still space for it to go further up." Retail prices and average earnings data this week worsened inflation expectations, persuading the markets of the likelihood of another rise in interest rates. The last rate rise, on June 4, to 7.5 per cent, had accentuated the attractiveness of the pound at a time when the D-Mark was rocked by emerging markets' travails. Comparable rates in France and Germany are 3.3 per cent.

"If you're a fund manager, you're being paid to hold sterling, because of the difference in interest rates," said Neil MacKinnon, an independent hedge-fund adviser. "As long as interest rates hold up where they are, international investors will come into sterling."

Sterling
Against the D-Mark (DM per £)



Source: Datastream/ICV

CULTURE CONTROVERSIAL SCULPTOR GETS SEAT

Businessman chooses artists to save arts body

By Antony Thorncroft

Gerry Robinson, chairman of the Arts Council of England and the Granada media and leisure group, yesterday appointed five artists to the council to lick it into shape rather than the expected businessmen.

One of the country's most controversial sculptors – Antony Gormley, best known for *Angel of the North*, the gigantic figure beside a main road in north-east England – is one of the team.

The unwieldy 23-strong body resigned *en masse* this year – following a suggestion from Mr Robinson – and he has designed an 11-strong structure that will decide how to spend a £400m ($656m) annual budget.

"I think it is a lively list of artists, able to take a wide view of the whole of the arts world. Many of them are young which fits in well with the fresh, contemporary, approach we will be taking," Mr Robinson said yesterday.

There are no businessmen, apart from Mr Robinson, on the new council but plenty of working artists, most of them under 40. "The new members come from specific arts backgrounds but they will not just fight their own corners," he said.

They tend to be individual artists rather than administrators of arts organisations. The most unexpected names are Mr Gormley; Anish Kapoor, another sculptor, who won the Turner prize in 1991; and Deborah Bull, a principal dancer at the Royal Ballet who has made a name for herself as a pungent commentator on the arts.

The other new members are Hilary Strong, who has run the Edinburgh Fringe Festival since 1994; Joanna MacGregor, a concert pianist; and Derrick Anderson, a local government chief executive who previously worked in the arts.

Four members of the old council have rejoined to give some experience. They are Professor Christopher Frayling, rector of the Royal College of Arts; David Brierley, formerly general manager of the Royal Shakespeare Company; Andrew Motion, the poet; and Prudence Skene, an arts administrator.

Despite reports that leading figures – from Sir Peter Hall to Sir Alan Ayckbourn – had turned down invitations to serve on the council, Mr Robinson said he had "not had a refusal".

The council's first official meeting will be in July, when there is a backlog of lottery applications to consider. It is likely that many will be rejected. Mr Robinson has made it clear that he thinks that too much National Lottery money has already been committed.

Gerry Robinson described the line-up as a "lively list" Tony Andrews

Employers urged to boot out hooligans

By George Parker and Robert Taylor

Tony Blair, the prime minister, yesterday urged employers to take "strong action" against staff involved in violence at the soccer World Cup in France.

He hopes the prospect of disciplinary action at work, or even the sack, will persuade some fans to curb their violent tendencies during the competition.

But employment lawyers said last night any move to discipline an employee for hooliganism would be "highly questionable". It might be possible for an employer to demonstrate that the behaviour brought the company into disrepute or affected its business operations. But a dismissed employee could bring an unfair dismissal case to an industrial tribunal and seek compensation for loss of employment.

After three days of violence in Marseilles, England supporters yesterday began arriving in Toulouse ahead of the team's match on Monday with Romania.

The authorities in the "rose city" have already taken precautions to avoid further clashes, including cancelling plans to show the game on a giant video screen and early closing times in bars.

A music festival has also been postponed.

Mr Blair's office was struck by the fact that many of those arrested in Marseilles appeared to come from middle class backgrounds and had good jobs.

It also said it would consider amendments to the crime bill, proposed by the opposition Conservatives, designed to restrict the movement of suspected hooligans abroad. The proposals were immediately denounced as "un-Conservative" by Alan Clark, the controversial Conservative MP, who said England supporters were simply defending themselves. He argued that the fact that English supporters wrapped in the national flag were singled out for attacks was "a kind of compliment to the English martial spirit".

See World Cup page

Union claims over rail safety denied

By Andrew Bolger, Employment Correspondent

Railtrack, which owns the UK rail infrastructure, yesterday denied claims by the RMT rail union that maintenance companies had halted vital safety checks ahead of a four-day strike by 9,000 workers, which starts at midnight tonight.

The action is expected to have limited impact on travellers this weekend but the strike is the first in a campaign over pay and conditions that could have an increasing impact.

The maintenance workers will strike again for seven days from June 29, and further strikes have been threatened.

The union said members in most of the companies involved had reported that their employers had decided not to carry out basic track safety inspections, including ultrasonic testing of rails and inspection tunnels, in the 48 hours leading up to the strikes.

Jimmy Knapp, RMT's general secretary, said: "The companies are being reckless with passengers and train safety and they seem to believe if they do not look for defects they do not exist."

But Railtrack insisted all necessary tests would be completed within agreed time limits. "Current rail testing is compliant with standards and frequency, whether or not this strike takes place," it said.

The government-funded Health and Safety Executive said Railtrack had given assurances that it would ensure work was done that was immediately vital to the safe operation of the railway.

● Train services on the main east coast rail line were returning to normal last night after engineers completed checks on Great North Eastern Railways' 31-strong fleet of high-speed electric trains following a derailment caused by a broken wheel.

Thousands of travellers between London and Edinburgh faced long delays after GNER withdrew its fleet of InterCity 225 trains for safety checks.

The derailment occurred two weeks after a cracked wheel caused the crash of a German high-speed train near Hanover with the loss of 100 lives. The German authorities have since ordered the replacement of the wheels on all first generation intercity express trains.

Power regulator in monopoly warning

By Andrew Taylor, Utilities Correspondent

Power generators could be referred for a monopolies commission investigation if government moves to stem development of gas-fired power stations restricted competition, the electricity regulator warned yesterday.

Stephen Littlechild – director-general of Offer, the industry regulator – has cautioned ministers not to restrict construction of gas-fired plant in order to preserve a market for British coal. He said yesterday: "I am concerned that measures to help the coal industry should not be at the expense of customers and competition in the electricity industry. A policy of preventing new entry by gas-fired generators would be damaging for competition, prices and investment."

The regulator is understood to have advised ministers that any restrictions on gas plants should be accompanied by moves to persuade big generators to sell more of their existing coal-fired capacity.

National Power and PowerGen, the two biggest fossil fuel generators, in 1996 leased five coal plants with about 6,000MW of capacity to Eastern Group after the regulator threatened a monopolies probe. The five stations represented just under 10 per cent of total market capacity.

Prof Littlechild said yesterday that he would be prepared to take on the big generators again if he felt they were abusing their market power.

The regulator is currently investigating why a key component of the price paid to generators by the national electricity pool rose sharply last year when fuel costs had declined.

Customer groups have complained that National Power, PowerGen and Eastern set prices in the pool 86 per cent of the time in 1997.

Prof Littlechild said any decision on whether to seek further divestment from generators would depend on the outcome of his investigation and any measures that might be taken to assist British coal sales.

The regulator has proposed an overhaul of wholesale trading arrangements in the pool, which acts as a clearing house between generators and customers.

NEWS DIGEST

BRITISH CHAMBERS OF COMMERCE

Leadership defies anti-Emu dissenters on membership

The leadership of the British Chambers of Commerce yesterday launched a robust defence of prospective UK membership of the European single currency in the face of vocal opposition from some rank-and-file members. John Entwistle, BCC president, said: "We are for the euro – we want Britain to join as soon as the economic conditions are right." An earlier debate at the BCC's annual conference in Birmingham, the second biggest city in England, had indicated that 78 per cent of delegates – most of whom represent small and medium-sized businesses – agreed the UK should join European monetary union at some stage in the next five years, but that only 39 per cent felt prepared for it.

Ian Peters, BCC deputy director-general, disclosed that the leadership was keen to prevent anti-Emu campaigns within the business community – such as the recently launched Business for Sterling – from "building up a head of steam" in the debate. But John Hudson, vice-president of the traditionally independent Birmingham Chamber of Commerce, warned of concerns among regional chambers. "Some of our members have serious reservations about Britain joining the single currency," he said. **Liam Halligan, Birmingham**

EU LEGISLATION

MPs call for greater scrutiny

An office should be established in Brussels to help remedy the UK parliament's inadequate scrutiny of draft EU legislation, MPs said yesterday. They also recommended that the number of House of Commons standing committees charged with dealing with proposed EU laws should be expanded from two to five. A report by the Commons modernisation committee highlighted a catalogue of blunders by government departments that hindered scrutiny of EU documents. It said the Commons European legislation select committee, which examines huge swathes of EU documents ranging from proposed laws to submissions to the European central bank, should be renamed the Commons European scrutiny select committee for the purposes of clarity.

It added there was "great potential value" in establishing a "forward observation post" in Brussels to act as the "eyes and ears" of the select committee. The Danish and Finnish parliaments already have offices in Brussels. With limited exceptions, the government does not reach agreement in the EU Council of Ministers on legislation unless it has first been subjected to scrutiny in London. **Andrew Parker, London**

TAX BREAKS

Ministers told to scrap reform

The government yesterday faced calls to disclose the expected costs of its proposed reform of capital gains tax after it emerged that the 34 UK-based partners of Goldman Sachs could benefit to the tune of £500m ($820m). The Liberal Democrats, the smaller opposition party, described the reports as "very worrying" and called on the government to withdraw the proposals until the full effect on public finances had been assessed. In the House of Commons, Tony Blair, the prime minister, was asked whether the government had intended to create a "huge tax loophole" at the same time as scrapping retirement tax relief for owners of small businesses. Paddy Ashdown, Liberal Democrat leader, said the government should: "Spend rather more money on providing decent public services for the many, and less on large tax breaks for the few." **David Wighton, London**

LONDON CITY AIRPORT

Green light for new rail link

The government yesterday gave the go-ahead for a £35m ($57m) extension to London's Docklands Light Railway to give a direct link with London City airport, in the south-east of the city, by 2004. One of the railway's lines passes within half a mile of the airport but is separated by the former London docks and air passengers have to take a shuttle bus. The airport link is one of a dozen possible extensions which have been under review by DLR in an attempt to broaden its appeal and increase passenger numbers. It would be funded by a mixture of public and private finance under the government's public-private partnership scheme.

The announcement of the green light for the new link comes a week before the official opening of the Heathrow Express service, a £440m project to link Heathrow with Paddington station in central London using a 15-minute fast-rail service. **Charles Batchelor, London**

FAIR TRADE

Action urged on vending coffee

Top companies are being asked by the government to turn their workers' coffee breaks into part of the international aid effort. Clare Short, chief international development minister, has written to 500 companies asking them to change the coffee they serve in vending machines to help small farmers. Ms Short wants staff to have the chance to buy "fair trade" coffee, which is certified to have come from producers offering fair wages, good safety standards and decent working conditions. She has suggested in a letter that at least half of companies' vending machines sell fair trade coffee.

"This initiative will make a real difference to the lives of impoverished coffee growers," she said. "I am sure your workforce would like the chance to help in such a simple but productive way." A sample of fair trade coffee accompanied each letter. **George Parker, London**

Philip Brierley: 'There are significant advantages in being a Name'

New Name finds himself in an exclusive club at Lloyd's

Ahead of tomorrow's annual meeting, **Christopher Adams** talks to a consultant who has joined an increasingly rare breed

Philip Brierley finds nothing remarkable in what he has just done. The RAF officer's son lives quietly in eastern England with his wife and four children. He is an information technology consultant.

But this year he became a member of an exclusive club, signing up as one of only seven new Names at the Lloyd's insurance market. He has no aristocratic roots, no country estate, no art collection, not even a few acres of farmland.

Access to an inherited fortune, he says, is not a prerequisite for joining Lloyd's. "People in London have got houses worth more than a quarter of a million [pounds]. That's not actually a big sum," he adds.

More surprising, perhaps, he has eschewed the advice of Sir David Rowland, Lloyd's previous chairman, who warned of the pitfalls of trading with unlimited liability in a valedictory speech at Lloyd's annual meeting last year.

Mr Brierley says there are significant advantages in participating this way, despite the risk of losing everything.

His views would appear to run counter to the direction Lloyd's itself is taking.

Corporate capital is fast replacing Names – whose personal assets have traditionally supported the insurance market – and this year's annual meeting on Friday may well see a heated row, the outcome of which may spell the end for Names.

Lloyd's has provided a reasonable average rate of return despite horrendous losses between 1988 and 1992, says Mr Brierley, who is not deterred by the severe downturn in most of the insurance market. The risk of a heavy personal loss is low, he says.

The advantage of being a Name is that personal assets can be made to work twice. Names do not invest in Lloyd's. They pledge capital on which they earn a return based on the underwriting performance of the syndicates they back.

Capital is not drawn down unless a portfolio of syndicates records an overall loss.

"Lloyd's has learned some lessons. They're managing their business better and packed away a lot of the hidden risk which people weren't aware of," Mr Brierley explains. "There's a lot more quality information to help you choose your portfolio as well.

"You have to pay for access to syndicates now. The syndicates which are poor performers are cheap while those that are good are expensive. So you're aware of what you're going into.

'People in London have got houses worth more than a quarter of a million. That's not actually a big sum'

"I don't want to spend hours and hours trading the market, but I will have to be careful so that I choose the right portfolio."

The number of Names has fallen sharply in recent years, following the worst losses in the market's history. Most members' agents, who handle Names' affairs, are not actively recruiting and Mr Brierley had to contact the LLoyd's central switchboard to join.

Membership swelled to 34,000 Names in the 1980s but there are fewer than 7,000 now. They back only 40 per cent of Lloyd's business.

Underwriting agents who manage insurance businesses at Lloyd's have been cementing strong ties with corporate capital, a process that may limit the ability of traditional Names to participate.

"I don't see why Lloyd's is attracted by pushing towards more corporate Names," says Mr Brierley. "I've a feeling there's a culture gap between individual and corporate Names that's gone too far. At the moment, Names feel beleaguered.

Mr Brierley says he will continue trading as an unlimited Name as long as it is possible for him to do so. He plans to use the income from Lloyd's to supplement his future pension. Recently increased capital requirements were a sensible move but have not excluded participation, he believes.

He may trade capacity – the right to support Lloyd's syndicates – at this year's capacity auctions in order to change his portfolio of syndicates, which write a mix of non-marine, aviation and motor business.

Offers made by insurance underwriters to buy capacity on their own syndicates from Names have so far been pitched far too low, he believes.

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pull-out
and Korea

be delayed

allows aid
decline

WEAPONS THAT BLIND OR POISON HAVE BEEN BANNED. SO WHY IS THE WEAPON THAT DID THIS STILL LEGAL?

There are some weapons so abhorrent that their use simply cannot be permitted.

The horrific effects of poison gas in World War I saw this weapon banned in 1925.

The insidious blinding laser joined this list in 1996.

But there is one weapon that causes untold human suffering and still continues to be used.

That weapon is the landmine.

Anti-personnel landmines are frequently laid in a haphazard fashion and continue to operate long after a conflict has ended.

Which means the victims tend not to be soldiers with ample medical support, but poor men, women and children playing no part in the conflict.

Today, somewhere in the world the life of another young child will be cruelly shattered by one of these weapons.

Just one of seventy civilians who fall victim to the landmine every single day.

That is why the International Committee of the Red Cross is leading the call for a total ban on the production, export, use and stockpiling of anti-personnel landmines.

The weapon that mutilated this defenceless child cannot be allowed to continue its carnage.

Before another century starts, landmines must be stopped.

COMITÉ INTERNATIONAL GENÈVE

INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

LANDMINES MUST BE STOPPED

SOUTH AFRICA SQUAD DOWN IN THE DUMPS AND UNDER FIRE FROM HOME

Boys undone by men of the world

Mark Gleeson on the pressures that bedevil Bafana Bafana

There has been an air of gloom hanging over the South African camp in the French resort town of Vichy, where most come to cure their ailments.

That the soccer team of the former apartheid state should be based in the wartime capital of collaborationist France is an irony in itself. Now, there is the added twist of a town famous for its hot springs playing host to a team in desperate need of some thermal therapy.

A 3-0 hammering by France in their World Cup debut in Marseilles last Friday leaves Bafana Bafana ("The Boys") effectively needing to win their remaining two matches, first against Denmark today and then the Saudi Arabians next week. That, in itself, is little surprise given France's role as both hosts and top seeds in Group C and the fact that South Africa, as coach Philippe Troussier always said, were only going to be challengers for second place in the group.

But the margin and manner of South Africa's defeat at a windswept Stade-Vélodrome, allied to a xenophobic and hysterical reaction from an expectant public at home, has turned a team capable of a few shocks at the World Cup into a nervous group of sullen schoolboys. The criticism from home has hurt most – the players being accused of not trying or being frightened by the occasion.

The proud Gallic ego of Troussier, too, has been trampled on by the lack of application by his squad and, even more, accusations from South Africa that he threw the game in favour of his native France.

It is a preposterous allegation, but one amplified on talk radio shows across the country and even by the Pan Africanist Congress, a fringe political party that demanded Troussier's immediate resignation.

The pre-World Cup hype in South Africa demanded nothing less from the country's footballers than had been achieved by their compatriots at the cricketing and rugby equivalents. But it is impossible to equate the real World Cup with the two other versions; it was always hopelessly unrealistic to expect that Troussier's team could be real players on their first visit to soccer's supreme stage.

Cricket and rugby remain, essentially, the preserve of the country's white elite. Some form of achievement by the football team would help press forward black South Africa's efforts at achieving equality – even if only psychologically in this case. It is estimated, although not yet verified, that more South Africans watched the match against France on television than did the release of Nelson Mandela eight years ago.

This week Troussier touched briefly on the sense of expectation that overwhelmed the camp on the afternoon of their meeting with the French. "A call from [President] Mandela, a visit from Thabo Mbeki [his deputy], all of soccer's officials in the hotel and hundreds of faxes maybe wasn't the best way to prepare for the game. Maybe we have to look at a different way for the Denmark game."

Troussier must turn despair into joy not only in the team's pre-match focus, but also in their on-field tactics. The responsibility obviously rests uneasily on his shoulders. Of the game against the Danes in Toulouse, he says: "This is our World Cup final, this is the match that can potentially start South African soccer on a higher level."

It is going to take a Herculean effort to turn the fortunes of Bafana Bafana around. But perhaps at this level of play, that is exactly what the South Africans still are. Bafana ... just boys.

FRANCE 98 DIGEST

Foot up: Chile's Pedro Reyes (left) and Austria's Toni Polster Reuter

GROUP B CHILE 1 AUSTRIA 1

Chile throw away their lead in dying seconds

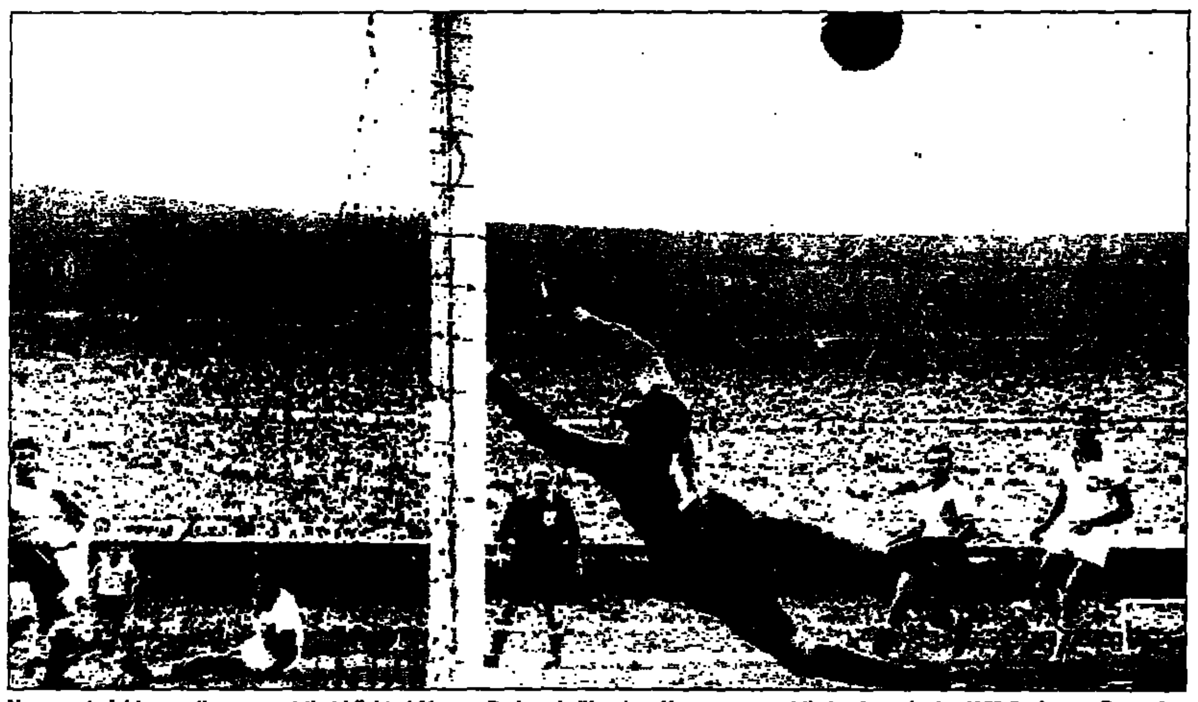
For the second consecutive game Chile threw away a lead at the death, with the Austrian substitute Ivica Vastic equalising in the closing seconds. Earlier Marcelo Salas had scored his third goal of the tournament.

Chile are now unlikely to win the group – and qualifying by finishing second carries the terrible prize of a match against Brazil. The Chileans have only themselves to blame. After a glorious first 10 minutes, in which Salas and Zamorano embarrassed Austria's veteran back three, they were dragged down to the level of the clunky, bad-tempered Austrians.

Chile's midfield seldom pushed forward to support their famous strikers – no one seems to have told Zamorano about the offside rule – and apart from the shaven-headed Javier Margas, the Chileans barely tackled. It was the latter failing that cost them. Vastic drifted past two pseudo-challenges and lofted the ball into the top corner.

Chile should have settled the game earlier. After only five minutes Zamorano was for once wrongly given offside when he had been put through with Konsel to beat. A minute later, he missed a simple header from a Salas cross. Austria awoke, and after 36 minutes, a backheel from Toni Polster, winning his 93rd cap to equal Gerhard Hanappi's record, set up a move culminating in a shot from Mario Haas that was blocked.

Chile broke through after 70 minutes. Awarded a free-kick to the left of the box, Jose Sierra lofted the ball in. Zamorano won the header, Konsel parried, and Salas' knee did the rest. Three minutes before the end, Konsel brilliantly saved a Zamorano half-volley. It made the difference. Austria then equalised in the dying seconds for the second match running. **Simon Kuper**



Near-post nightmare: the moment that blighted Moacyr Barbosa's life when Uruguay scored their winner in the 1950 final Popperfoto

BRAZIL PLAYER MADE A LIFELONG PARIAH FOR WORLD CUP FINAL MISTAKE

The unforgiven goalkeeper

Geoff Dyer relates a tale of the darker side of the country's passion for football

Most afternoons, Moacyr Barbosa, a 76-year-old with dark skin and irrepressible smile, leaves his modest apartment for a stroll in the small town of Praia Grande near the Brazilian port of Santos.

When he reaches the beach, he stops for a chat at a kiosk. He has little money but a friend who runs the bar keeps him supplied with his favourite cocktail of *cachaça* rum and lemon. Usually good-humoured, he shares jokes with other customers. Yet on his bad days he reflects on how his life was destroyed by a single error on a football field.

Barbosa played for the Vasco da Gama club in Rio de Janeiro and for most of the 1940s was generally considered the best goalkeeper in Brazil. He was the natural choice for the national team in 1950 when the World Cup was held in Brazil. Yet his world turned upside down in the final against Uruguay.

Firm favourites to win, the Brazilians froze in front of their home crowd. With the score tied at 1-1 and 11 minutes to go, Ghiggia, the Uruguayan winger, approached the Brazilian box. Expecting a cross, Barbosa was beaten by a shot to his near post. Brazil lost and Barbosa has been treated ever since as virtually a traitor.

"A life sentence in Brazil is 30 years. I have been persecuted for nearly 50 years for my mistake," he reflects. It is a sad commentary on the less attractive side of Brazil's enduring passion with football and especially the World Cup.

Feted as national heroes if they win, failure can leave the players with deep scars. Zico, the midfield star of the early 1980s, was considered by some to be the best player in the world of his generation. He is now part of the national coaching team, but for many Brazilians he will never be one of the true greats because the sides he played in did not bring home the World Cup. Romario, left behind this year because of injury but the proud owner of a 1994 winner's medal, once called him a "loser".

The burden of public expectation has fallen most heavily on the team's goalkeepers. Roberto Gomes Pedrosa, who kept goal for one losing game in the 1930 Cup, and Castilho from the 1954 side, both later committed suicide for reasons that were never fully explained, leading some to conclude that the job is cursed.

Barbosa's five decades in purgatory followed what was without doubt the worst day in Brazilian football history. The Maracana Stadium, the largest in the world, was built especially for the 1950 World Cup, which was supposed to consecrate Brazil as the sport's new masters.

Before the final, Rio's mayor made a famous speech in which he greeted the Brazilian team as the new "world champions". A Rio newspaper had already printed an early edition that celebrated a Brazilian victory, copies of which were urinated upon by the Uruguayan team in ceremonial fashion before the game.

At the final whistle, the 200,000 Brazilian fans in the stadium stood in numbed silence, broken only by gentle sobbing. To this day some people believe the Maracana should be pulled down.

Pele and his colleagues in the sides that subsequently won the World Cup are revered not just for their success, but also for exorcising the memory of 1950.

In the recriminations that followed the match, Barbosa was once called in for police interrogation to see if he was a communist. After football, the only job he could get was at the Maracana itself, where he worked for 30 years showing visitors around.

When he retired to the Sao Paulo coast early this decade, his pension was less than $100 a month. Some friends got in touch with the Vasco club, which agreed to give him some financial help. Yet he still cannot afford a telephone.

To this day, he feels like a man pursued. He has complained to friends that strangers still occasionally point at him and tell their children: "That's the man who lost us the Cup in 1950."

There has been little so far in the tournament to trouble Taffarel, his successor in today's team. But Barbosa's tale is a powerful reminder to the players, notwithstanding Tuesday's effortless demolition of Morocco, of the thin line they tread between football heaven and the purgatory of defeat.

ZAGALLO'S ACHILLES HEEL

Where samba soccer loses its rhythm

If Brazil fail to win this World Cup, an incident in the first half of Tuesday's imperious swatting of gallant but over-hyped Morocco may be interpreted as a warning that the team's smooth progress was about to be interrupted.

Brazil were cruising. Ronaldo, a goal scored, and Rivaldo were on their game. Morocco were trying hard, but making little progress.

Suddenly, Dunga, the world champions' captain, started to treat his forwards – notably Bebeto – to what looked like an almighty tongue-lashing, presumably for not doing enough back-tracking. It seemed at one point as if the two were about to come to blows.

After a few seconds, the fracas died down and Bebeto went on to score the Brazilians' third goal. But the flare-up hardly bespoke the solidarity the side tries to convey by ostentatiously walking out on to the pitch hand in hand.

In fact, if Brazil are not yet the finished article – not quite – it is the result less of the shortcomings of its electric forward line than those of the ageing Dunga himself.

Ageing star: Dunga's flare-up revealed the side's weakness

Together with Cesar Sampaio, Dunga makes up the defensive midfield pairing in coach Mario Zagallo's complex formation. This can be schematised as 2-2-2-2, with wing backs Cafu and Roberto Carlos, in many ways the key players, free to shuttle up and down the touchlines as circumstances dictate.

In the current tournament, this has been working fine when Brazil have the ball, but less so when their opponents have it, since neither Dunga, 34, nor Cesar Sampaio, 30, has displayed much of an appetite for tackling. In fairness to the latter, he has had to tread carefully after first-half bookings in both matches.

This gives rise to a feeling that maybe, just maybe, Brazil could be undone by an exceptional passing side. Certainly, a good passing team, prepared to build its moves carefully, should regularly be able to play itself into the danger zone.

Scotland approximated to such a side for a good half an hour of the tournament opener, once Lambert, Collins and Gallacher had got into their stride. Yet ultimately, they, like the Moroccans on Tuesday, squandered too much possession.

Add to this lack of bite in the Brazilian midfield a certain clumsiness in Aldair and Junior Baiano, the giant central defenders, and opposition coaches at least have something to work on.

Actually to beat Brazil, of course, other teams will also have to keep Ronaldo, the world's finest player, quiet. But once again, Scotland managed to do it.

In the meantime, extraordinary as it may seem, Zagallo may be casting covetous glances at England – not, like many at France 98, at Shearer and Owen, but at Ince and Batty.

David Owen

IN BRIEF

Toulouse on hooligan alert

The Toulouse authorities have been laying their plans for the arrival of England fans in advance of next Monday's game against Romania, following two days of violent clashes in Marseilles, where the team played their opening game.

A music festival organised for the weekend has been cancelled, bars will close four hours earlier than planned, and more than 400 police officers are standing by to augment the 1,300 already in Toulouse for the match. Police "spotters" will also be posted at the railway station, airport and on main routes into the city, to monitor the arrival of fans.

A total of 11 hooligans have been jailed so far for World Cup-related offences – six English, two German and three French. **Patrick Harverson**

● Four people are being questioned by French police about illegal sales of World Cup tickets, including a business consultant linked to ISL France, a Paris-based company. ISL France is part-owned by ISL Worldwide, the Swiss firm that handles the marketing of the World Cup for Fifa.

● The funeral was held yesterday of Fernand Sastre, the World Cup organising committee co-chairman, who died of lung cancer last Saturday.

TODAY'S GAMES

● **SOUTH AFRICA V DENMARK, 17.30*, TOULOUSE, GROUP C.** Denmark need another win, before facing France in the final game, to guarantee a second-round berth. South Africa, without striker Phil Masinga, have a mountain to climb.

● **FRANCE V SAUDI ARABIA, 21.00, ST DENIS, GROUP C.** The hosts should be celebrating their passage to the next stage by the final whistle. The fans will want them to do it in style.

**Local kick-off times (GMT + 2 hours). One hour earlier in UK.*

NUMBERS SO FAR

Goals total	44	Sendings off	3
Bookings	67	Penalties	2

GROUP TABLES

Group	Team	P	W	D	L	F	A	Pts
GROUP A	Brazil	2	2	0	0	5	1	6
	Norway	2	0	2	0	3	3	2
	Scotland	2	0	1	1	2	3	1
	Morocco	2	0	1	1	2	5	1
GROUP B	Chile	2	0	2	0	3	3	2
	Austria	2	0	2	0	2	2	2
	Italy	1	0	1	0	2	2	1
	Cameroon	1	0	1	0	1	1	1
GROUP C	France	1	1	0	0	3	0	3
	Denmark	1	1	0	0	1	0	3
	Saudi Arabia	1	0	0	1	0	1	0
	Sth Africa	1	0	0	1	0	3	0
GROUP D	Nigeria	1	1	0	0	3	2	3
	Paraguay	1	0	1	0	0	0	1
	Bulgaria	1	0	1	0	0	0	1
	Spain	1	0	0	1	2	3	0
GROUP E	Mexico	1	1	0	0	3	1	3
	Holland	1	0	1	0	0	0	1
	Belgium	1	0	1	0	0	0	1
	Sth Korea	1	0	0	1	1	3	0
GROUP F	Germany	1	1	0	0	2	0	3
	Yugoslavia	1	1	0	0	1	0	3
	Iran	1	0	0	1	0	1	0
	US	1	0	0	1	0	2	0
GROUP G	England	1	1	0	0	2	0	3
	Romania	1	1	0	0	1	0	3
	Colombia	1	0	0	1	0	1	0
	Tunisia	1	0	0	1	0	2	0
GROUP H	Croatia	1	1	0	0	3	1	3
	Argentina	1	1	0	0	1	0	3
	Japan	1	0	0	1	0	1	0
	Jamaica	1	0	0	1	1	3	0

For latest World Cup news
www.FT.com/worldcup98

CINEMA

On a wing and a prayer in LA

Nigel Andrews warms to a misplaced movie

Making a thin premise go a long way: Nicolas Cage and Meg Ryan in 'City of Angels'

Sometimes the worst-seeming decisions turn out to be the best ones. Despite its name, Los Angeles is so entirely the wrong city for an American version of *Wings Of Desire*, the German movie by Wim Wenders about an angel becoming human, that we warm to the result as to an ungainly but appealing mongrel dog.

Why is L.A. wrong? Because *there are no iconic tall monuments* like Berlin's Winged Victory tower for the celestial hero (Nicolas Cage) to sit, stand or surmise upon, before plummeting to his chosen mortality. Instead he and the other dark-coated title beings in *City Of Angels* stand around staring at salmon sunsets on Malibu Beach – not very ethereal – or perch like bizarre birds of prey atop the famous Hollywood sign.

Second reason. In the real L.A. there is no sense of teeming ordinary humanity, rather of teeming surfers, navel-gazers and movie people. And as for libraries – *those intellectual incubators* where the Wenders-conceived angels tune into the chattering of mortal thoughts – the idea of an Angeleno browsing among bookshelves is so surreal you almost *have* to be the ex-director of *Casper*, the ghost fantasy, as Brad Silberling is, to think of it.

On top of all, would you trust your life to "Dr" Meg Ryan, a surgeon with a Jean Harlow hairstyle and permanent air of dizzy absentmindedness?

City Of Angels is hopeless, earnest and very very long, but trying to dislike it is like trying to dislike Christmas. It lasts forever but means well. And there are always hidden surprises. The best one here is Nicolas Cage, *abandoning the grenades and* Uzis of *Con Air* and *Face/Off* to play the winged spirit who opts for incarnation and the love of Ryan. This Cage is so incongruously but persuasively gentle that we believe the lady doc's infatuation. "You are *so* beautiful!" she *exclaims, to an actor* who on a bad day can resemble the mask from *Scream* but on a good one has a weird, incandescent innocence.

CITY OF ANGELS
Brad Silberling

THE LAST TIME I COMMITTED SUICIDE
Stephen Kay

DREAM WITH THE FISHES
Finn Taylor

SAVIOR
Peter Antonijevic

POINT BLANK
John Boorman

As this central couple flits around a smog-free Los Angeles full of gleaming freeways, spotless hospitals and blue-rinse skies – all resemblances to the real city are *coincidental – they* talk of love, destiny and afterlives. We realise, even while watching, that Hollywood can no more deliver deep thoughts about eternity than L.A. can embody them visually. But two good actors make a thin premise go a long way and we are not too fidgety going with them.

★

Perhaps the World Cup, which already seems to be going on forever, has helped to engender thoughts of eternity. *The Last Time I Committed Suicide* is *about famed beatnik and Kerouac crony Neal Cassady*, played by an actor (Thomas Jane) who looks so uncannily like Alan Shearer that we keep expecting a ref to move in from screen left, perhaps blowing for full time on the Beat Generation.

When *not over the moon, courtesy* of designer stimulants, Cassady is sick as a parrot. For his life is torn between irreconcilable girlfriends, one of whom may make a repeat suicide bid if his devilish friend Harry (spryly played by Keanu Reeves, moonlighting from the mainstream) steers him one fateful night towards drink and infidelity.

Playwright Stephen Kay directs with enough style for three movies, especially early on. There are loopy angles, flurries of monochrome, and scenes stacca-to-edited with blackouts and hand-clapping on the soundtrack. Then it settles for its long dark-night-of-the-soul section, with Jane deftly calibrating the inner torment and Reeves showing how free and funky *an actor* can become when he is not propping up mega-dollar mausoleum movies like *Devil's Advocate*.

Hippy times are here again, you would think, with *Dream With The Fishes* appearing in the same week. The suicide motif also reappears. Troubled, nerdy introvert Terry (David Arquette) wants to end it all by jumping from a bridge – "it *all*" being a life of loneliness and window-watching voyeurism – but is rescued by dippy, trippy Nick (Brad Hunt), a longhaired bohemian whose only problem is a terminal illness. Ninety minutes of bud-*dyism ensue, varied by girl* problems, petty crime sprees and the countdown to Nick's quietus. Writer-director Finn Taylor's idea of structure seems to be to start the camera rolling and then go and have a sandwich. Some *scenes stretch to infinity, others* slightly further. But as in each of this week's American films, charm, defiance and two strong performances flatter a thin idea into a semblance of substance.

Made in ex-Yugoslavia, *Savior* is all substance and no semblance: all big, resounding ideas *about War, Love and Inhumanity* with no vivifying suggestion that we are watching real people experiencing or embodying them.

Dennis Quaid is a foreign legionnaire: he became one to forget the Moslems he murdered in *a Paris mosque in reprisal for the* death of his wife and child in a terrorist bomb blast. Now he traipses through Bosnia, trying to atone by saving a mother and newborn babe from the Serbs he is fighting for.

The film begins and ends so clumsily – sample dialogue is a friend's "I know you've had a bad day" to Quaid as he sits by his freshly coffined loved ones – that we are taken by storm by its one powerful scene. This is a mid-movie vignette of Serbian butchery so horrible, visceral and "real" *that it leaks blood all* across what follows and even, in the spectator's mind, across what precedes. It shows what could have been done with a movie that is elsewhere all co-production sound and fury, good intentions and Babel execution.

★

John Boorman never made a better film than *Point Blank*, now given a 30th birthday revival. Back in the late 1960s/early '70s the twin success of this kaleido-*scopic gangster movie and Deliverance* gave the director a relative freedom to handpick and hand-craft his projects: a freedom that often seemed as disastrous for a Boorman indulging his high-flying whimsical ideas as it was for the equally wayward, post-*Godfather* Coppola.

Some movie-makers thrive better when compelled to grapple with – and transform – projects that might seem mundane or beneath them. In *Point Blank* Boorman took a B-standard thriller and created a film that is part *The Big Heat*, part *Last Year In Marienbad*, with a dash of *Vertigo*. If this sounds precious, it isn't. The director's mythomania is tucked into the plot, as it should be, instead of hanging out like ugly shirt tails (see *parts of Excalibur*, *most of The Emerald Forest* and all of *Zardoz*).

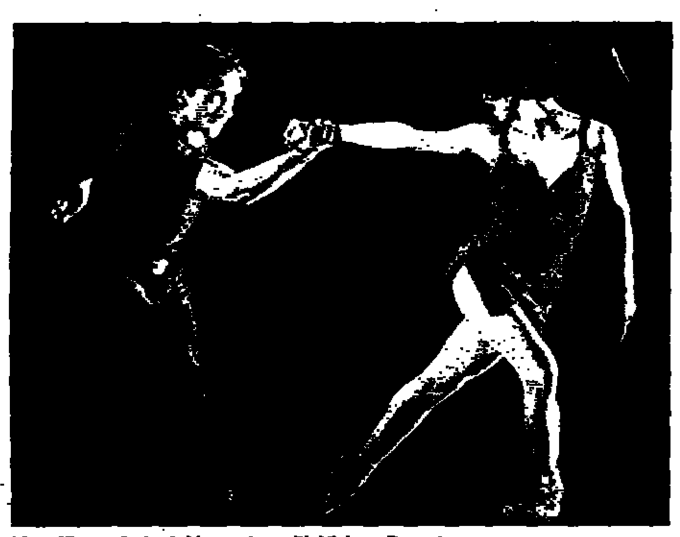
In *Point Blank* the games with time and memory are lucid and forceful. The sense of place is uncanny: no one better captured the sepulchral other-worldliness of Alcatraz. Best of all, in Lee Marvin the filmmaker found an unlikely but perfect *alter ego*. This doleful tough guy looked like walking smoke, cracked a mean and mournful one-liner, and had a bass voice like a mythic echo chamber. Just by standing there emitting monosyl-*lables Marvin could say more* about Boorman's dreams and themes – the vulnerability of heroism, the passing of a golden age, the beauty of being true to oneself – than all the flummery of his subsequent overworked fables.

Too many tricks blurr the ballet

DANCE

CLEMENT CRISP

Cheating, Lying, Stealing
The Royal Ballet, Barbican EC2



Magnificent: Irek Mukhamedov with Viviana Durante — Alastair Muir

Ashley Page calls his new ballet *Cheating, Lying, Stealing*, and he must excuse those of us who feel that he has said rather too much *for his own good*. The piece, given its first performance at the Barbican Theatre (lurking like the Minotaur in the heart of a maze of turgid architecture) on Tuesday night during the Royal Ballet's week on remand, is clogged with ideas.

It combines scores by two American apostles of the New Brutalism. David Lang and Michael Gordon – whence its title, and the words "ominous funk" used by Gordon to describe his *sound-track*. Other ears may find the fearful clangour of drum and anvil, the arid repetitions and relentless banging, rather like being trapped in a boiler factory.

The programme offers two quotations (from Graham Greene and Hanif Kureishi) to identity themes of desire and the arbitrary nature of experience, and provides photographs of smog-enshrouded Baton Rouge, of a man watching a rocket take off, and a desolate painting by John Kirby of a towering beach-hut and a dwarfed figure.

Design by Anthony McDonald *encompasses all of this, starting* with a fine grey landscape, but also involving a vast red panel, a sort of divan which bursts into flames, the musicians half seen behind a scrim at the back of the stage, three beach-huts (Kirby-style) which roll across the stage, and hideous street-chic outfits for the cast. Enough, already.

Page's failing is, as I have found in past work, an unwillingness to edit. Ideas crowd in, influences are undigested, more and more clever tricks are put into his choreographic bran-tub, when *experience should by now have* suggested that less is more, that William Forsythe is his own man and needs no apostle, that the most-modern of modern art needs to be allowed to settle before being brought into the theatre. (Diaghilev's genius lay in his power to absorb the very new, to sift, combine and reject. He would surely approve of Page's willingness *to go as far out as he* can, but he would also make him remove a lot of junk from his pockets before setting to creative work in the studio. He would also, I suspect, have vetoed the far-too-exuberant stage design. And screamed the place down when he saw the cost).

The real fault of this new work is *its lack of precision*. You *see* dance incidents – they swirl round Irek Mukhamedov, dancing magnificently and serving as lynch-pin to everything else, his artistry the ballet's sure centre – which are splintered, arbitrary. Page has, in other works, been fascinated by ways of showing *memory, differing realities*, parallel existences, the chaos of perception. These are recurrent in this new piece, but still undigested, still fighting one against the other for primacy in expression. The reliance upon extravagant design sabotages the dance-text. The Cro-magnon din of his two scores are no inducement to trying to shape ideas to greatest theatrical effect – as well try and make a soufflé in a blast furnace. Page can now rely upon himself, without the *modish crutches* of the newest music and painting.

His cast do him tremendously proud. Mukhamedov is commanding in his technical prowess – no step without power, beauty, innate meaning – and his tor-*mented* relationship with Viviana Durante's ambiguous presence seems the work's heart. The rest of the cast are tireless, sharp-edged, and look handsome despite their ghastly outfits. The programme, which runs all this week, includes *The Rake's Progress* and *Birthday Offering*.

Reading between the lines

THEATRE

ALASTAIR MACAULAY

The Unexpected Man
Duchess Theatre, London WC2

Though Yasmina Réza's *The Unexpected Man* is not the hit material that her smash success *Art* has proved, it is actually the richer play of the two. True, it has no plot; nor does it have the uproarious comic scenes nor horrific personal tensions of *Art*. But what it does better is to create a *world. Or, rather, to create two* views of the world, to show them circling each other curiously, before bringing them together.

The Royal Shakespeare Company's production – superlatively acted – has just transferred to the Duchess Theatre; and seeing the play a second time is to find *it a yet subtler* and more entrancing experience than the first. Two people are alone on the train from Paris to Frankfurt. One of them is a famous novelist, the other a woman who has read all his work. From this premise, Réza creates a thousand ironies. Martha, the woman, longs to *speak to this novelist who has so* enriched her life; but it is an embarrassment either to speak or to read, since the book in her handbag is, of course, by him.

Meanwhile Paul Parsky, the novelist, sometimes thinks about *her in a novelist's way; he imagines* why she is on this train and *what her private life is*. ("Strange this woman never reads anything.") When she does start to read his book – *The Unexpected Man* – he is all fascination. Will she smile at *that* page? Yes. Dare he ask what she thinks of its author? *Eventually, yes. But* only eventually. The play ends where some other dramatists would begin.

For part of the beauty of *The Unexpected Man* is that the nov-*elist and reader do not constantly* think about each other. They think of their friends, of music, of irritations, of their own lives in particular and of life in general. Each monologue is a swift stream of consciousness, continuously changing direction and tone, and often absurdly funny. Or poignant. *"My friend Serge is dead,"* says Martha, bleakly, looking through the window. "The world I'm looking at is a world in which my friend Serge no longer exists."

Michael Gambon and Eileen Atkins give superlative performances

"Is there a person in the world, in the whole world, who knows how to read that book?" Parsky *asks himself; but we have* already answered his question. For Martha is, surely, his ideal reader: a reader with a life of her own who recognises in his novels the values and ironies and attitudes she already knows. Or is *she? When she fantasises about* him, it is sometimes as his nemesis. "I'm the one who one day will make off with your world … I shall abolish you." Meanwhile, when she reads his novel, he fantasises about her. It *is for her benefit he writes* "this silent woman sent to me by Fate".

The play lasts 80 minutes, but one could spend far longer than that talking about it. Michael Gambon and Eileen Atkins give *superlative performances* throughout, and it would be *worth the price of admission just* to hear how they handle punctuation; their range of dynamics is endlessly fresh, human, intelligent. And to watch them move. Gambon broodily shifting weight in his seat from this buttock to that; *Atkins assertively standing* with her feet planted 18 inches apart and flexing one foot. These tiny details matter greatly. Thanks to the director, Matthew Warchus, there are many other coincidences of action and word, of sight and sound, that matter as much.

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Siegfried: by Wagner. New production conducted by Hartmut Haenchen in a staging by Pierre Audi; Jun 21

BELFAST

DANCE
Grand Opera House
Tel: 44-1232-241919
The National Ballet Company of Latvia: The Sleeping Beauty. With the orchestra of Latvian National Opera and Ballet; Jun 18, 19, 20

BERLIN

CONCERTS
Konzerthaus
Tel: 49-30-203090
● Berlin Symphony Orchestra: *conducted* by Kurt Sanderling in works by Mozart and Beethoven; Jun 19
● Rundfunk-Sinfonieorchester Berlin: conducted by Rafael Frühbeck de Burgos in works by *Mozart. With bassoon soloist* Alexander Voigt; Jun 20, 21
● Staatskapelle *Berlin: conducted* by Daniel Barenboim in works by Schoenberg, Bartók and Brahms. With violin soloist Gidon Kremer; Jun 18

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● La Gioconda: by Ponchielli. Revival conducted by Marcello Viotti in a staging by Filippo Sanjust; Jun 24
● Manon: by Massenet. New *production conducted* by Jiří Kout in a staging by Cesare Lieve. With sets by Margherita Palli and costumes by Luigi Perego; Jun 23
● Werther: by Goethe. Concert *performance* conducted by Alain Guingal; Jun 20

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Don Giovanni: by Mozart. *New* production conducted by Daniele Gatti in a staging by Gianfranco de Bosio, with designs by Pasquale Grossi; Jun 18, 20, 21, 23, 24

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
● Don Pasquale: by Donizetti. *New production* conducted by Philippe Jordan in a staging by François de *Carpentries on* the Lunatheater stage; Jun 18, 19, 21, 23, 24
● The *Turn of the Screw*: by Britten. New production conducted *by Antonio Pappano in a staging* by Keith Warner, with designs by Stéphane Lazaridis. Cast includes Susan Chilcott and Anthony Rolfe Johnson; Jun 19, 21, 23

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
Katya Kabanova: by Janáček. Revival of Nikolaus Lehnhoff's production, conducted by Yakov Kreizberg, with designs by Tobias Hoheisel. Cast includes Amanda Roocroft. *With the London* Philharmonic Orchestra; Jun 18, 21

LEEDS

OPERA
Grand Theatre
Tel: 44-113-222 6222
● Opera North: Joan of Arc, by Verdi. New production by Philip Prowse, conducted by Richard Farnes with a cast headed by *Susannah Glanville and Arthur* Davies; Jun 23
● Opera North: Eugene Onegin, by Tchaikovsky. New production by Dalia Ibelhauptaite, conducted by Steven Sloane. The cast is led by Alwyn Mellor and Peter *Savidge; Jun 24*

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London *Symphony Orchestra:* conducted by Bernard Haitink in *works by Mozart and Strauss;* Jun 18

Wigmore Hall
Tel: 44-171-935 2141
● *Marta* and György Kurtág: piano recital given by the composer and his wife, of pieces from Jatetok (Games) inspired by children's play; Jun 23
● Natalie Clein: recital by the cellist of works by Schumann, *Shostakovich and Rachmaninov*. Accompanied by Itamar Golan; Jun 18
● Simon Keenlyside: recital by the baritone of works by Debussy, Strauss, Glazunov, Rachmaninov and Mahler. Accompanied by *Malcolm Martineau; Jun 20*
● Trio Jean Paul: recital by the piano trio of works by Beethoven, Rihm and Schumann; Jun 24

DANCE
Barbican Theatre
Tel: 44-171-638 8891
The Royal Ballet: triple bill comprising Ninette de Valois' The Rake's Progress, Ashton's Birthday Offering, and a new work by *Ashley Page; Jun 18, 19, 20*

EXHIBITION
National Portrait Gallery
Tel: 44-171-3060055
High Society: Edwardian Photographs. A collection of studio *portraits, reprinted from a recently* rediscovered cache of original negatives. *Subjects* include *Lloyd* George, Winston Churchill and Lillie Langtry; to Jun 21

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● *Carmen: David Ritch and John* La Bouchardière direct a revival of *Jonathan Miller's production*, conducted by Noel Davies. The title role is sung by Sally Burgess; Jun 19, 23
● Manon: by Massenet. New production by David McVicar, designed by Tanya McCallin. Rosa Mannion sings the title role and the conductor is Michael Lloyd; Jun 18

MUNICH

THEATRE
Philharmonie Gasteig
Tel: 49-89-5481 8181
Das Europa Musical Theater: *Beauty and the Beast, directed by* Carin Piontek with choreography by Lali Cseszko; *Carl-Orff-Saal;* Jun 18

NEW YORK

EXHIBITION
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Vilhelm Hammershøi (1864-1916): *Danish Painter of Solitude and* Light. Retrospective seen in Copenhagen and Paris last year, comprising 60 works by this relatively unknown contemporary of Munch. Includes portraits and landscapes as well as interiors, *many of which depict the rooms of* his Copenhagen home; from Jun 19 to Sep 7

NOTTINGHAM

OPERA
Theatre Royal
Tel: 44-115-989 5555
Opera North: *Eugene Onegin*, by Tchaikovsky. *New production* by Dalia Ibelhauptaite, conducted by *Steven Sloane. The cast is led by* Alwyn Mellor and Peter Savidge; Jun 19

PARIS

EXHIBITIONS
Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
● Astronomy and Astrology in the Islamic World: *display of* instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious *objects decorated with astrological* designs; from Jun 19 to Sep 21
● Bassano and His Sons: works by the Venetian painter Jacopo dal Ponte dit Jacopo Bassano (1510-1592) and his sons, *bringing* together works owned by the *Louvre* with loans from other French museums; from Jun 19 to Sep 21

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Cast includes Ramon Vargas; Jun 19, 22

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-6-474 5903
Lucio Fontana: retrospective of the Italian artist best known for the series of "Spatial Concepts" *produced in the 1950s and 1960s;* to Jun 22

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Roger Ballen: works representing South Africa's white rural poor; to Jun 21

VIENNA

CONCERT
Musikverein
Tel: 43-1-5058 6810
London Symphony Orchestra: conducted by Bernard Haitink in *works by Mozart and Strauss;* Jun 20

TV AND RADIO

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13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

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At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Nato breaks its chains

Alexander Nicoll says the show of force in Kosovo may be a sign of things to come

A Spanish F-18 sets off for Nato duty in the Balkans AP

This week, Nato whistled up 85 aircraft from 13 air forces at four days' notice in a show of force intended to send two messages to Slobodan Milosevic.

The first was obvious: the Yugoslav president should stop sacking the villages of ethnic Albanians in the Serbian province of Kosovo. The second was more subtle. It was about Nato itself. The message to Mr Milosevic was that this was not the fence-sitting Nato of the prolonged Bosnian conflict, but a formidable military force.

A new model Nato is emerging, quicker in response to regional security threats, a sort of tough neighbourhood cop. Moreover, its political masters are ready to deploy it quickly and decisively if diplomatic efforts fail.

According to William Cohen, US defence secretary, Exercise Determined Falcon, in which fighters swept over hills 15 miles from Kosovo's border, proved that Nato was "united in its commitment to seek a ceasefire ... and demonstrated its capacity to rapidly mobilise some very significant lethal capacity".

On Tuesday, the day after the operation, Mr Milosevic, at a meeting with Boris Yeltsin, the Russian president, gave a series of undertakings that appeared sufficient to rekindle diplomatic efforts to end the violence in Kosovo – at least for a while.

It would be premature to conclude that Nato's actions had forced the Yugoslav president to back down. His record suggests he is not likely to have been scared off by the noise of a few sonic booms from across the border. Also, Mr Yeltsin had opposed the use of Nato force. All the same, the sequence of events is striking and the speed with which Nato member governments reacted to the drive by Serbian forces against the ethnic Albanian majority in Kosovo points to a new steel within the alliance.

The rapid reaction sprang partly from a determination that the genocide of Bosnia, which many still feel was encouraged by western ineffectiveness, should not be repeated. Nor must confrontations be allowed to spread into drawn-out regional conflicts. "The lessons of Bosnia" has become the catchphrase in foreign and defence ministries.

Among those lessons was that Nato forces could be used decisively to bring about a political settlement. Within months of Nato air strikes in 1995, the parties to the Bosnian war were negotiating the Dayton peace accord. That agreement was then enforced and maintained by alliance forces, whose mandate has just been renewed in what has been widely viewed as a successful peace-keeping operation.

That reassessment of its own power is part of Nato's search for a new purpose and identity in the post-Soviet era. The experience of Bosnia in 1995 suggested at least part of a new role: a potent tool to be used by politicians as a back-up to diplomacy.

The argument for the "good cop, bad cop" approach was bolstered by the mustering of US and British forces against Saddam Hussein earlier this year. Though Nato was not the agent in that case, belief that air strikes were imminent helped force the Iraqi president to back down over United Nations weapons inspections.

The key to the use of Nato's formidable firepower as a diplomatic tool is that it must be credible. "If you're going to talk about force, make it as credible as possible as quickly as possible – always hoping you do not have to use it," says a Nato official.

After Mr Milosevic's crackdown in Kosovo, Nato's military planners acted with unprecedented speed to draw up options at the disposal of their governments, including air strikes and electronic interference with Mr Milosevic's command-and-control systems. The plan was for a rapidly escalating series of measures intended to bring the Yugoslav president to heel.

But things are not quite that simple. If Nato were to intervene militarily in Kosovo, it would be doing so without a UN mandate. Efforts to draft one – now under way in New York – are almost certain to be opposed by Russia and China, which says the Kosovo violence is an internal matter.

There are three problems with Nato's Kosovo response. First, the organisation can intervene only on the basis of unanimity among its 16 members, many of which would have misgivings about acting without a UN mandate. Although Mr Cohen said a UN rubber stamp was not an absolute precondition for Nato action, one official acknowledges that the issue is highly sensitive within the alliance.

Second, Nato would be conducting an awkward balancing act by intervening in a sovereign state, seeking to stop Serb violence without appearing to support the Kosovar Albanians' separatist fighters. "We do not intend to send any signal that we are supporting the drive for independence," Mr Cohen said.

The third caveat is the effectiveness of the military options being contemplated. Air strikes could inflict considerable damage on Mr Milosevic's military assets. But the threat to disrupt his command-and-control systems by technical wizardry may not be easy to carry out, military experts say.

These are just the relatively low-risk options for Nato. Although there would be little likelihood of substantial casualties, they would have the limited goal of stopping the fighting. There is no suggestion that Nato would deploy ground forces except to monitor an eventual political settlement.

Mr Milosevic knows Nato would be unwilling to risk casualties. That could give him the confidence to face up to whatever weaponry Nato threw at him, as well as giving both sides in the conflict an incentive to test the west's willingness to become involved.

Yet the decision this week by European politicians to use force (or at least a show of force) in Kosovo at a relatively early stage could have a lasting impact on the Nato debate. In particular, it may influence the alliance's review of its "strategic concept", the rationale behind its military force structure.

If recent rhetoric were carried through to quick action in Kosovo or in another regional conflict, that could be a potent deterrent to potential participants in such confrontations. But it remains to be seen whether what one Nato official calls the "chains of Prometheus" have really been removed.

LETTERS TO THE EDITOR

Russia should offer Gazprom stake for funding

From Professor Padma Desai.

Sir, In "GKO's threaten financial stability" (June 15), John Thornhill correctly argues that the Russian central bank's policy of raising its refinancing rate to inordinately high levels (currently at an annual 60 per cent, down from the earlier 150 per cent) to boost the appeal to investors of holding on to short-term government debt can only be a temporary "game".

Not only will the persistence of high interest rates damage government's budget numbers via inordinately high borrowing costs but also prevent the recovery that the Russian economy desperately needs. Indeed, another round of the Asian contagion could threaten the financial stability with irreparable consequences for Russia's market reforms.

The International Monetary Fund, badgered by continuing criticism of its recent Asian bailouts, does not have the resources to provide an immediate confidence-boosting financial package of the required amount to support the rouble while the government continues with its arduous revenue raising and tax reform agenda under IMF supervision.

It is time for Russia to explore alternative private financing. A viable option is a contingent facility contributed by western commercial banks and private financial groups with a fraction of government stock in Gazprom (which accounts for almost one-fifth of the world's gas output with reserves estimated at over ten times those of Royal Dutch/Shell and Exxon combined) serving as collateral.

The facility would carry a commitment fee if it is unused and a charge, a few percentage points above Libor, if it is used. Initially set up with a fixed time horizon, it can be rolled forward, say, every three months, if necessary.

This arrangement will not only toughen the resolve of the Russian government, facing as it would the likelihood of losing its stake in Gazprom, but also get around the moral hazard problem by shifting the bail-out decision-making to private financiers.

Padma Desai,
Harriman professor of economics,
Columbia University,
New York, NY 10027,
US

Resourceful

From Mr Dick Winchester.

Sir, We should applaud the news that all the Goldman Sachs partners will become multi-millionaires. I am sure they will now use their extensive skills in merchant banking to become business angels or even pool their resources to fill the venture capital gap for small high tech companies.

This is good news for UK Plc and I look forward with anticipation to hearing their plans for ploughing back some of the wonderful sums of money they have made out of industry into new ventures and helping some existing smallish companies to realise their potential.

Dick Winchester,
"The Old Schoolhouse",
Old Rayne,
Aberdeenshire, UK

Toys do not contain dangerous substances

From Mr David Cadogan.

Sir, It is unfortunate that in your articles "Brussels under fire on toy safety measure" (June 11) and "Brussels seeking compromise over carcinogens in toys" (June 12) you raised unnecessary concerns about the link between phthalates and cancer.

There is no evidence to suggest that phthalates cause cancer in human beings. I should like to point out that no phthalates are classified as hazardous under the European dangerous substances legislation (directive 67/548/EEC) and none is classified as human carcinogens.

It is well documented that laboratory tests on rodents, involving exposure to extremely high amounts of phthalates and other chemicals over the period of their lifetime, resulting in the formation of liver tumours, are not relevant to human beings.

The EU scientific committee for toxicity, eco-toxicity and the environment (CSTEE) confirmed this view in April and has clearly stated that phthalate plasticisers can be used safely in the production of children's toys.

Your statement "the episode is reminiscent of the 1996 concerns over BSE, or 'Mad Cow' disease" is also misleading and only serves to raise unnecessary fears among the general public. In the 40 years that phthalates have been used to soften PVC toys there is not a single known case of a child's health having suffered as a result and neither is there any sound scientific evidence supporting a long term risk.

The only way the issue can be connected to the BSE situation is that, understandably, the EU is now extremely sensitive to issues of public health as a result. But that should not be cause to react when measures are clearly not justified.

I can assure you that if there were reliable evidence that any phthalate presented a serious health risk, the plasticiser industry would have no hesitation in withdrawing it.

David Cadogan,
European Council for Plasticisers and Intermediates,
Avenue E. Van Nieuwenhuyse 4, bte 2
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Belgium

Post Office's unpleasant redundancy news came by late delivery

From Mr G.A. Wilbraham.

Sir, Mr J.D. Skinner (Letters, June 15) is not alone in the way he received news of his redundancy.

Some years ago I was declared redundant from a senior management position in the Post Office, for which I had worked for more than 24 years. Not only was I not informed of this by the director of personnel, who was my line manager, or his assistant director, but the letter notifying me was signed at a low executive level and delivered at my home the day before my holiday (which they had authorised) was due.

The period of notice expired shortly before Christmas, some 10 days before I would have been eligible to receive my pension. Your correspondent is, I fear, not alone in his experience.

G.A. Wilbraham,
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PERSONAL VIEW RUDI DORNBUSCH

In praise of hard money

Over the past 50 years, the Bundesbank has written the central banking textbook. The European Central Bank should study it

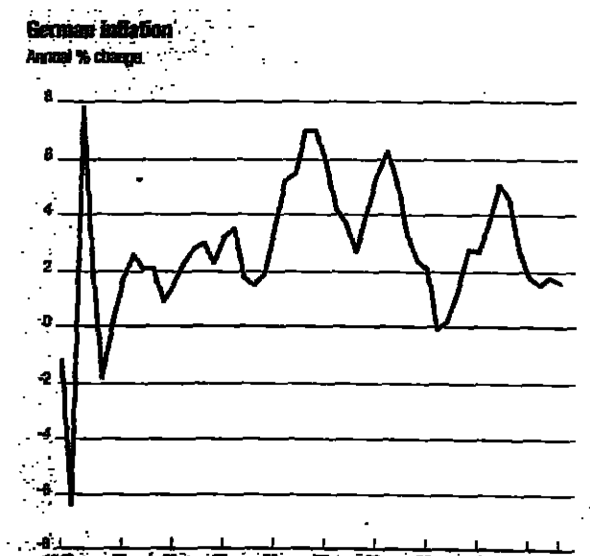
Fifty years ago, on June 20 1948, German monetary reform put an end to the Reichsmark and economic repression. As hard money celebrates its 50th anniversary in Germany this Saturday, it is also the end of the Bundesbank as Europe's monetary leader; step forward the European Central Bank. Europe is at a crossroads just as significant as the events that gave rise to the D-Mark and the Buba.

Nobody knew in 1948 what the bold removal of price controls and the introduction of a new money would mean, except that it could not be worse than the prevailing state of affairs: a war economy with controls and black marketeering, pervasive shortages, and collapsing production. Deregulation and monetary reform were an act of faith. Who could be sure that hyperinflation would not emerge, as it had in the 1920s?

US General Cassius Clay told the then economics minister Ludwig Erhard: "Mr Erhard, my advisers tell me your plans are crazy." And Erhard replied: "General, my advisers say the same." The rest is history: an economic miracle built on free market economics and on five decades of uncompromising pursuit of price stability.

No other central bank has sustained price stability like the Buba. While the D-Mark's purchasing power is down to just one-quarter of what it was in 1948, that of the dollar is only 15 cents. Britain, Italy and France have done much worse.

The Buba has been so good at public relations it is tempting to overstate its success. Inflation has been between zero and 2 per cent in only 15 of the past 50 years, though no one else has fared nearly as well. Yet over the past 50 years, German inflation averaged 2.7 per cent, exceeding its goal of 1 or 1.5 per cent (see chart).



There has always been an explanation: fixed exchange rates on the dollar in a world of over-expansion in the 1960s, two oil shocks in the 1970s, and the unification shock at the beginning of the 1990s – each a good reason for higher inflation. In each case, the Buba put out the fire. Could it have done better? No doubt. But not without even higher unemployment. Sheer toughness would not have paid off in higher credibility, and hence better results.

The fact that, even with a determined central bank, there has not been unqualified success has surely to do with unions and the welfare state. The Buba sets its money growth, while the welfare state and the unions determine the split. It always comes out as too much inflation and too little economic growth. One of the lessons of Buba must be that it takes two to foster credibility and performance: a tough central bank and a competitive economy.

The European Central Bank is starting off with a credibility deficit. It needs to make its case to the people

Nonetheless, few would dispute that, over the past 50 years, the Buba has written the central banking textbook. Three central points emerge:

- A commitment to price stability, not necessarily day to day, but clearly as a trend;
- The easily verifiable targeting of monetary aggregates as the key commitment to price stability;
- Reiterating to the German public the bank's promise of "price stability", but not necessarily of full employment, high growth and quick prosperity.

The ECB would do well to avoid monetary targeting – even the Buba could barely hold up the myth of a stable relationship between money and prices. Economic and monetary union does not guarantee stable aggregates, particularly as the process of financial restructuring creates quite different monetary instruments. Like everywhere else, inflation targeting should be the framework and interest rates the key instrument.

By contrast, the ECB should learn from the Buba that political independence can be gained only if the public trusts the central bank more than the politicians (remember when the Buba stared down poor Theo Waigel, the finance minister, on the gold issue).

The Buba achieved that trust through decades of thoughtful communication, keeping close to the public – from savers to bankers to scholars – and building a constituency in support of hard money.

It was a traumatic monetary history that gave the Buba the backdrop against which to invoke the fears of inflation, but that does not diminish the accomplishment.

The precedent will be hard to match: just about everyone in Germany, from economics professors to housewives, the aged and the clergy, is distressed by the introduction of the euro. Emu has been achieved by haggling and compromise. It is a political ambition rather than a good idea in support of hard money. As a result, the ECB is starting off with a credibility deficit. It needs to make its case to the people: it cannot be satisfied just with making decisions and keeping quiet.

More will be celebrated in Frankfurt next Saturday than half a century of hard money in Germany. There is cause to celebrate too the worldwide acceptance, at least by central banks, that inflation is no answer to unemployment, even in the short term. There is no European or American central banker who has not at some time been driven to near despair by the Buba's insistence to stay its course. Yet they have all come on board. What better message to send to the ECB?

But those who will be present at the ceremony, from Helmut Kohl, the chancellor, to SPD leaders Gerhard Schröder and Oskar Lafontaine, badly need another message from the same history book. Central banks are easily overburdened. A heavy dose of competition and deregulation would work miracles for price stability and growth, as it did in 1948.

The author is professor of economics and international management at Massachusetts Institute of Technology

COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday June 18 1998

Now, please, a big push

Yesterday's joint US-Japanese move to support the yen is welcome because it sends a number of constructive signals. One is that the US is not indifferent to the dramatic decline in the value of the yen against the dollar. The declared readiness of Robert Rubin, US treasury secretary, to continue with joint intervention ensures, at least for the moment, that short positions in the Japanese currency are no longer a one-way bet.

More importantly, the initiative carries an encouraging hint that Asia may not, after all, be allowed to become a victim of policy paralysis in Washington and Tokyo. The instability of the yen has threatened to destabilise a region in which several countries are struggling to overcome problems of currency indebtedness. While China is clearly reluctant to devalue, the growing unease in Beijing over the yen's recent plunge has been palpable.

So much the better, then, that with the exception of the Indonesian rupiah the initial response of the main Asian currencies yesterday was positive. The risk of further competitive devaluations has retreated a little.

Any welcome must nonetheless be qualified because currency intervention can do little more than buy time. To work it has to be accompanied by a fundamental shift in Japanese macroeconomic policy capable of staving off an incipient slump. That, as indicated here yesterday, means another a very substantial fiscal boost equivalent to at least 3 per cent of gross domestic product.

Prime Minister Ryutaro Hashimoto has confirmed that further fiscal changes are on the agenda, though whether on the requisite scale is another matter. He has also declared that the banking system will be expeditiously restructured. That is a prerequisite of any restoration of confidence.

Yet if Japan is to rationalise and reform its financial system it is worth repeating that it will be vital that fiscal policy remains expansionary to ease the pain of restructuring. Fiscal retrenchment should be ruled out until the economy is unquestionably on a sustainable growth path.

If the visit to Tokyo by Larry Summers, US deputy treasury secretary, leads to the promise of anything less than this, the latest currency intervention will have been wasted. Even after yesterday's rise in government bond yields, the return on Japanese assets remains hopelessly out of line with those in the rest of the world. The temptation for Japanese and foreign investors to shun anything and everything denominated in yen is overwhelming without some realistic hope of policy change sufficient to restore confidence.

Policies that simply buy time will not pre-empt deflation in Japan. Without decisive action, disaster lies ahead.

Monetary blues

Eddie George, governor of the Bank of England, is to be congratulated. For a central bank governor to admit he may have made a mistake is almost as surprising as for a Pope to agree he is fallible. Mr George is not just candid; he is right. Given the chancellor's failure to hit the consumer harder, monetary policy should have been tightened further.

Earlier this month, the monetary policy committee decided to raise interest rates from 7¼ per cent to 7½ per cent. The weakening of sterling and the rise in underlying annual earnings inflation, from 4.6 per cent to 4.9 per cent, were cited as the most important causes. The news this week can only have made those who voted for higher rates more confident.

Underlying earnings inflation was 5.2 per cent in March, up from a low of 3.3 per cent in late 1995. Over that period, unemployment, on the ILO definition, has fallen from 8.3 per cent to 6.4 per cent. It already seems below the level at which inflation stays stable. The rate at which earnings are rising is worrying and astonishing. How can the very manufacturers who whinge about high sterling and punishing interest rates raise pay (including bonuses) by 5.6 per cent over the year to March? But retail price inflation is also a consideration, with the chancellor's target variable up 3.2 per cent in the year to May.

The MPC's calculation is straightforward. Members know that inflation has been kept down hitherto by the soaring exchange rate; that unemployment is too low to keep pay inflation in check; that the rise in earnings is already probably too fast to be consistent with the inflation target; and that last week's spending statement means fiscal policy is going to be neutral, at best.

At the same time, real domestic expenditure rose 4.4 per cent in the year to the first quarter of 1998. This must be more than halved. True, in the short term domestic demand may be able to grow faster than output, as the current account deteriorates. In the longer term, it cannot do so. Moreover, output growth itself must be brought below potential.

The only question is whether the monetary tightening is enough to do so. Consistently strong monetary expansion suggests it is not. Still higher interest rates are probably needed, leading to a politically unpopular, perhaps budget-wrecking, economic slowdown. It may turn out to be "slowflation" rather than stagflation, with growth modest, but positive. It will take the shine off New Labour, all the same.

Issues of trust

Alan Greenspan's remarks to the US Senate this week on competition policy were a salutary intervention on a sadly muddled topic. Ostensibly, the Fed chairman was talking about the current merger wave, on which he was suitably relaxed. Between the lines, his speech also addressed a more delicate question: official policy on those twin pillars of US technology, Microsoft and Intel.

In essence, Mr Greenspan's stance is robustly pro-market. It is scarcely possible, he said, to prove that trust-busting works in any given case. One cannot tell how the market would have evolved without it. Suppose Standard Oil had not been broken up in 1911. Can we prove it would have sustained its monopoly against such new entrants as Shell and Texaco?

In today's fast-changing technology markets, prediction is even less possible. And as the US government is well aware, placing broad restrictions on Microsoft and Intel could involve it in a ludicrous attempt to prescribe the evolution of these markets as a matter of industrial policy.

This is not grounds for complacency. When Microsoft incorporates a browser into its software, the threat is not confined to browser producers – and if Intel were to include a modem in its chip, more than modem makers would be affected.

Granted, consumers benefit in the first instance. An analogy could be drawn with supermarkets, which offer a wide range of goods cheaply in one location, while specialist corner stores suffer accordingly. But few of us would feel easy if there were only one global supermarket chain, and all the corner shops had been driven out of business.

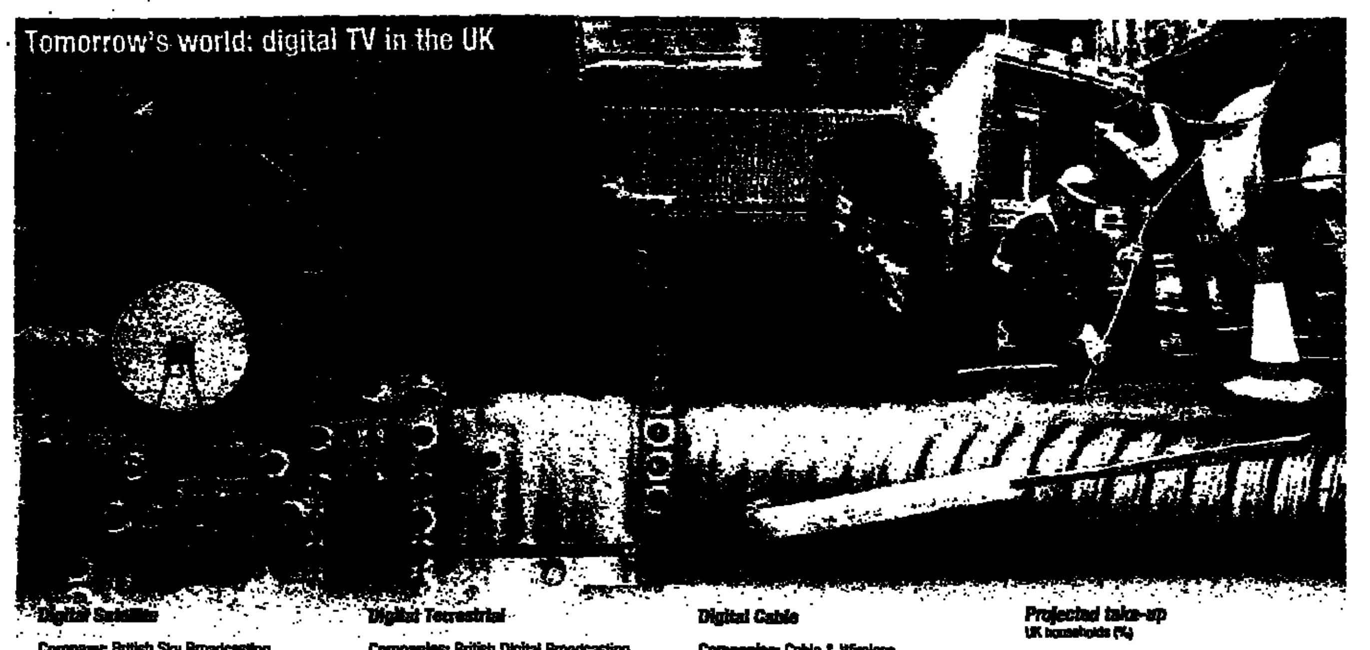
Nor is this impossible in this case. The so-called Wintel combination is now a standard: and standards, especially when they involve networks, can be very hard to shake. As Mr Greenspan points out, computers use the Qwerty keyboard not because it is ideal, but because it is there.

But the central point still holds: in this business, prediction is a mug's game. Microsoft nearly missed the advent of the internet. Next time, it may be less lucky. It remains to be seen how well Intel will cope with the advent of the ultra-cheap personal computer, for which some of the subtlety and expense of the Pentium chip is proving redundant.

None of this rules out the risk of the two companies abusing their monopolies meanwhile. If they do, they should be stopped. Intel, for instance, stands accused of selectively withholding information on its technology to punish companies which have accused it of patent infringement. But that is a matter of detail. The broader message is: if in doubt, trust the markets.

Digital TV's brave new world

From next week, the UK will become a testing ground for digital television. **John Gapper** looks at the likely reaction of investors and consumers


Tomorrow's world: digital TV in the UK

Digital Satellite

Company: British Sky Broadcasting

Launch: 'Soft' launch next week, full one in September

Receiving equipment: Satellite dish and set-top box

Service: About 60 pay television channels, and a further 140 channels of capacity devoted to pay-per-view and premium movies and sport, and interactive home shopping

Price: Perhaps £11.99 per month for basic service, and £4.99 for additional 'mini-tiers' of channels. Up to £29.99 for basic service and premium film and sport channels. Initial payment of £200 for a set-top box

Digital Terrestrial

Companies: British Digital Broadcasting, S4C Digital Networks, with free services provided by BBC, ITV and Channel 4

Launch: Expected in November

Receiving equipment: Existing roof-top aerial and set-top box

Service: Thirty channels, including five free BBC channels and two free ITV channels. Subscription service provided by BDB of 15 basic and premium channels

Price: Perhaps £9.99 for basic channels, with additional sums for three BSkyB premium channels. Initial payment of £200 for a set-top box

Digital Cable

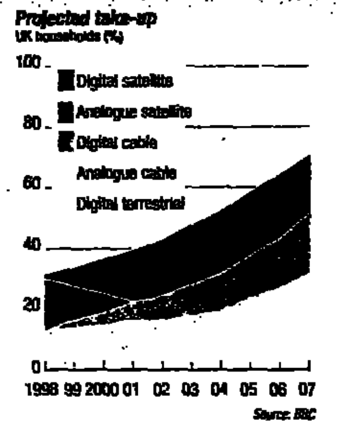
Companies: Cable & Wireless Communications, Telewest Communications and NTL

Launch: Expected from late this year onwards

Receiving equipment: cable connection and cable modem

Service: A mixture of free and pay television channels, with Telewest and NTL running pay-per-view movies from their own Front Row consortium. Cable & Wireless will take Sky pay-per-view

Price: Not decided, but comparable to other services. Set top boxes likely to be rented rather than bought



When British Sky Broadcasting, the UK pay television company, switches on its 200-channel digital service next week, a new era in television will arrive – very quietly. Although almost no member of the public will be able to appreciate it until later in the year, the UK will become the first country in the world to have digital television in all its forms.

BSkyB's pilot broadcasts will come after the BBC this month inaugurated digital broadcasts from terrestrial broadcasting masts, a technology the UK is pioneering. By next year, when the UK's cable companies start to transmit pictures digitally, viewers will be spoilt for choice by hundreds of channels.

Britain will not lead for long. Other countries, including France and the US, have already introduced digital satellite or cable broadcasts. Terrestrial services of the sort being launched in Britain will follow soon. Governments are eager to clear television signals from the analogue spectrum so they can auction the capacity to mobile communications companies.

For a year or two, however, Britain will be the testing ground for an experiment in consumer choice. This autumn will see BSkyB's full launch of its digital services, complete with pay-per-view films and bundles of channels devoted to different genres of programme. That will be followed in November by a digital terrestrial service of up to 30 channels. The signals so far are mixed.

However exciting the technology itself, investors in UK television companies have reacted gloomily. The UK pay television market has been dominated by BSkyB since it was formed in 1990. For BSkyB's investors, at least, digital has been a byword for rising costs and uncertain revenues.

A measure of the disappointment has been the fall in BSkyB's share price from 691p in October 1996 to a low of 361p last February, cutting the company's value by £5.5bn before a recent recovery. Other groups exposed to digital have also also suffered. "There is pain before the pleasure," remarks Neil Blackley, a media analyst at Merrill Lynch, a US investment bank.

The essential difficulty is that digital signals will virtually end capacity constraints. This, of course, is what makes the new world of digital television so different from current broadcast analogue television.

But it also makes it possible for others to come in and compete with early leaders, such as BSkyB. British Digital Broadcasting (BDB), for example, is to launch a 15-channel service later this year, to create an alternative to Sky Television.

The BBC has also been pursuing the opportunities created by digital broadcasting. As one of the world's most powerful state broadcasters, owning an unrivalled library of drama and documentary programmes, it has struck a series of commercial deals to create new pay television channels, as well as planning new public service ones.

In spite of this, Mark Booth, BSkyB's chief executive, remains upbeat. He argues that digital technology gives BSkyB the opportunity to reinvent pay television.

"You do not go to a record store because you want to hear 10,000 records," says Mr Booth. "You do it Because you are confident they will have the one you want." He says capacity limits have, until now, prevented broadcasters from meeting the precise demands of consumers. Sky Digital will change all that.

Mr Booth gives the example of documentary programmes. Under analogue, subscribers might only have received one documentary channel such as Discovery Channel. "You might like documentary programmes in general, but not the one you see when you switch on. If you have five documentary channels, there is bound to be something on that interests you," he says.

He argues that digital television broadcasting is more akin to magazine publishing than traditional analogue broadcasting. As more channels can be squeezed into the same spectrum, the cost of broadcasting individual channels falls. This allows programme producers to create channels based on consumer niches, just as magazine companies do.

As well as broadcasting more channels, BSkyB is to devote a lot of capacity to "timeshifting" programmes. By spreading its film output across eight channels, it will enable the same films to be shown at half-hour intervals. It is also devoting 48 channels to a new pay-per-view film service, with viewers paying £2.99 per film.

BSkyB's view that broadcasters will find demand for new digital services is shared by Flextech, a UK company that has struck a deal with the BBC to create channels from its archive. "The one thing we know from history is that people always want the maximum amount of information available," says Adam Singer, Flextech's chairman.

The assumption is certainly widespread not only in the UK but everywhere. It lies behind the ambitious uses of digital capacity by BSkyB. But will it turn out to be true?

BDB has the digital terrestrial capacity for only about 15 channels, although this could rise with compression techniques. It argues that this is all most UK consumers really want.

The average UK viewer already watches about three and a half hours of television a day. They are unlikely to seek more, BDB argues. "People now embrace multichannel television, but they say they want between six and 10 channels, and even within that, they tend to like the same ones," says Nigel Walmsley, chairman of Carlton Television, which co-owns BDB.

"I suspect people are going to watch television in much the same way they have always watched it. They will devote most of their time to watching the channels they have always watched, and perhaps a third to others," says Mr Walmsley. BDB is to carry premium channels supplied by BSkyB, and pay channels supplied by Flextech, Carlton and Granada (BDB's other owner).

'The one thing we know is that people always want the maximum amount of information'

Some resistance to large packages of channels may have been created by BSkyB itself, as Mr Booth concedes. In the past few years, the company has raised prices as it has added channels to its Sky Multi-Channels package. "BSkyB has been aggressive with its pricing in the past, and there is a trust issue we are committed to turning around," he says.

The companies are working hard to convince the three-quarters of British viewers who have so far rejected pay television change their minds. Both BSkyB and BDB are to subsidise the retail price of the set-top boxes required to decode digital signals. This will mean consumers will only have to pay £200 per box, rather than the £400 they actually cost.

The companies will also spend large sums on marketing, with BSkyB's planned £100m campaign among the largest ever seen in the UK for any new product. But the most optimistic projections of take-up of digital services (see chart) rely on the government eventually switching off analogue signals, forcing everyone to switch to digital.

Even if there is demand for digital channels, there may not be a lot of suppliers. The UK pay television market is younger and much smaller than the US one. Some 6m UK homes subscribe to multichannel pay television services, compared with 67m homes in the US taking cable television. This makes it far harder to create UK pay television channels.

"The UK market will have as many digital channels as people are prepared to lose money on," says Mr Singer. He argues that few are likely to attract enough advertising to make a profit. "In the US, you can be a standalone channel and do very nicely, but here it is hard. Six million homes will not support many new channels," he says.

Because digital capacity means a proliferation of channels, broadcasters are unwilling to spend as much on each one as the traditional mainstream networks. The BBC and ITV are spending about £20m each on BBC Choice and the new ITV2 channel. This compares with BBC1's annual programme budget of £650m, and ITV's expenditure of £600m on network programmes.

BSkyB has also adopted a tough bargaining position with its programme suppliers for the digital service. While the average analogue channel might have received about 25p per subscriber per month from BSkyB, it has offered less for digital channels. That means channels must either find more advertising, or spend less on programmes.

Although Mr Booth insists that the digital era will be "a fertile environment for entrepreneurs", most others argue that established producers such as large ITV companies and the BBC stand to gain more. They will be able to gain revenues by supplying programmes to new channels, without relying on digital for their core profits. Indeed, some argue that the BBC is in the best position of all, with an archive regarded as being as valuable around the world as that of Walt Disney, the US studio.

Mr Walmsley of Carlton says that higher quality programmes, such as dramas on which networks spend about £500,000 per hour of output, will be more valuable because they can be repeated on digital channels. "Digital enhances a secondary market for programmes, so free-to-air networks gain more chances to recoup their original investments," he says.

Entrepreneurs trying to start channels for digital services face a more uncertain future. Mr Booth says the breakdown of constraints on broadcast capacity will allow more people to establish new channels, but admits many will fail. He says: "If you have an idea, digital will allow you to try it out. But those ideas that don't work will be punished swiftly."

OBSERVER

Gaulle stones for Chirac

As if having to share power with troublesome socialists and traipse round all those European summits wasn't bad enough, Jacques Chirac is facing an attack from his own political heartland. The French president has been told that the RPR, the centre-right party he refounded in 1976, is no longer fit to call itself "Gaullist".

It would be easier for Chirac to shrug off the attack if his opponent were anyone other than Maurice Druon, the grand old man of French letters and long-time associate of General de Gaulle himself. Druon – who wears Mexico's Grand Cross of the Aztec Eagle alongside his Légion d'honneur – reckons the RPR has lost its way since Chirac got the show back on the road more than 20 years ago. Nowadays, says the 80-year-old novelist, thinker and former culture minister, it's just a political machine to elect presidents.

Harsh but predictable criticism from one of the venerable general's compagnons de route? Perhaps. But it has added piquancy, given Druon's position at the helm of one of France's most highbrow institutions: the author of "Réformer la démocratie" and "La culture et l'état" also calls the shots at the Académie Française, guardian of the French language and the ultimate stickler for accuracy when it comes to naming names. Maybe Chirac really will have to drop the Gaullist tag.

Blooming

You have to wonder whether Hungary is taking seriously its commitment to join the Nato military alliance. Front-runner in the race for the post of defence minister is one Janos Szabo, a relatively unknown lawyer and former director of the Budapest Funfair Company.

- Szabo, 57, is the choice of Jozsef Torgyan, leader of theSmallholders' Party which holds a key role in holding together Hungary's governing coalition. The rural-based Smallholders have been allocated four ministerial portfolios, including defence, and the unpredictable Torgyan nominated Szabo ahead of more familiar candidates.

Szabo himself doesn't accept that he'll be out of his depth in the world of bombs and bullets. He points out that he's an experienced manager whose career blossomed during 10 years tending Sasad, a flower-grower more famous for its tulips than tanks.

Grumbles one foreign diplomat: "Defence is difficult enough without trying to beat ploughshares into swords."

Pitta patter

The latest casualty of the upheaval in Greece's banking sector is George Pattakos, managing director of Bank of Athens and the only Greek banker in recent memory to have downsized a bank without falling foul of the country's hyperactive trade unions.

Pattakos, who used to run ABN-Amro's branch network in Greece, steered Bank of Athens out of the red last year and wanted more capital to play with. The parent company, Korea's Hanwha Group, decided instead to concentrate on its core business of making explosives; so Bank of Athens has been sold to an outfit controlled by the London-based Latsis shipping and oil group, and Pattakos is on his way out.

Still, his canny management style should be in demand as Greece's banks struggle to restructure. Ionian Bank, one of three due to be privatised this summer, has been on strike for almost six weeks in protest. But when Pattakos quietly cut 25 per cent of Bank of Athens' workforce in January, its union staged only one token protest – a two-and-a-half-hour stoppage – and apologised to customers for the inconvenience.

Embassy No2

The city of Saigon, now officially known as Ho Chi Minh City, is about to say goodbye to one of its most famous landmarks: the old US embassy on Le Duan Street – backdrop to the final, dramatic scenes of America's military involvement in Vietnam – is being demolished.

It was April 1975 when US military helicopters plucked 2,000 American and Vietnamese civilians from the embassy roof and compound, while at the gates US marines held back thousands more who were trying to escape. The building, virtually unchanged since then, housed state-run oil company Petrovietnam until it was handed back to the US government four years ago.

Demolition doesn't mean that the Americans are leaving again; work will soon begin on a new consulate, for which US secretary of state Madeleine Albright laid the foundation stone last year.

Needless to say, the red-granite monument erected in the compound by the Vietnamese, to commemorate the Viet Cong suicide squad that fought its way into the embassy during the 1968 Tet Offensive, has been moved to the pavement outside. And there it will stay.

Ringaskidding

Viagra is doing wonders for Ireland's performance – even though the anti-impotence drug is not yet officially available on the Emerald Isle.

Pfizer manufactures one of Viagra's key ingredients at its plant in Ringaskiddy, County Cork, and statisticians say record-beaking demand in the US is responsible for the country's frisky trade balance. Total exports up by 29 per cent in the first three months of this year – that really is something to smile about.

The Financial Times

100 years ago

French Ministerial Crisis

Paris, 17th June. M. Ribot was received at the Elysée this afternoon, and was invited by the President of the Republic to form a Cabinet. M. Ribot accepted the task upon condition that he should first have time to consult his friends. Should M. Ribot succeed in forming a Government, the Cabinet will probably comprise MM. Dupuy, Freycinet, Peytral and Sarrieu. Later: the efforts of M. Ribot to form a Cabinet have not met with any great success. The Radical politicians with whom he has consulted are not inclined to take office unless a comparatively large proportion is allocated to their party.

50 years ago

Planters Armed in Malaya

Kuala Lumpur, June 17. Planters and estate labour throughout the country are being formed into special constabularies for their own protection and for the maintenance of order during the present emergency. A considerable number of Sten guns are being issued to police constables and also to planters who have a knowledge of their use. Arms and ammunition taken from Communist dumps throughout the country are now being cleaned for use.

FINANCIAL TIMES

THURSDAY JUNE 18 1998

THE LEX COLUMN

Rubinomics

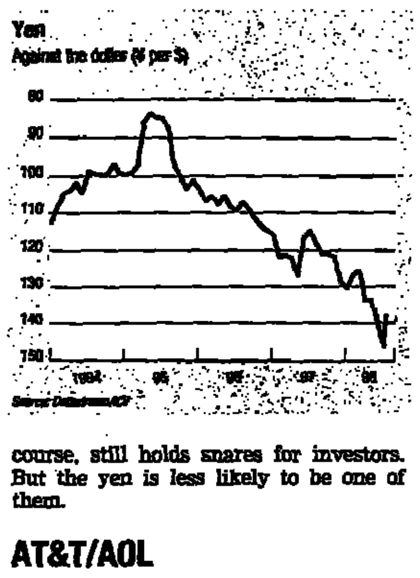
Robert Rubin's status in foreign exchange market folklore seems assured. Having rescued the dollar in the summer of 1995, the US Treasury secretary is now doing the same for the yen. Traders were caught in a classic bear trap: they misread Mr Rubin last week and believed the US was indifferent to the level of the yen. So yesterday's central bank intervention caught them not only by surprise but massively short.

Mr Rubin's timing may have been excellent, but the question remains: why did the US seek to bolster the yen? The cynical will say that the damage washing up on Wall Street on Monday did the trick. More likely it was the bad economic data coming out of China, coupled with a distinctly chilly edge to Beijing's rhetoric. The unthinkable – the devaluation of the renminbi – appeared to draw closer. The last thing the US wants is for President Bill Clinton's visit to China next week to be overshadowed by economic turmoil.

Longer term, the US also loses out if another downward ratchet in Asia further discredits global capitalism. Moreover, you can have too much of a good thing. Until recently the US may have judged that the slump in the yen was a useful spur to action in Tokyo. But its recent fall had a panicky feel to it, with ramifications across global markets.

Having won round one, it now falls to Larry Summers, Mr Rubin's deputy, to follow through during his visit to Tokyo. How will he do this? Ideally, there would be two elements. On the fiscal side, there would be a commitment to cut taxes to lower western levels and a pledge, if necessary, to implement a further fiscal stimulus. Just as important, the government must spell out a credible plan for dealing with the bad loan problem, once and for all.

Is this the bottom for the yen? Everything depends on how Japan responds to Mr Summers' visit. Disappointment risks sending the yen into free fall. But given that Mr Summers is well aware of this risk, one must assume he is confident the Japanese will deliver. If they do, this should mark the turn in the yen. A strong message from the central banks, meaningful structural reform in Japan and the prospect of economic recovery would underpin this scenario. Japan, of course, still holds snares for investors. But the yen is less likely to be one of them.



AT&T/AOL

Michael Armstrong's latest salvo shows just how far AT&T has come in the year since he took over the previously staid telecommunications group. Wooing America Online may seem odd given the internet service provider's less-than-reliable customer service record. But consumers – and the stock market – seem to have forgiven AOL for last year's connection problems. Moreover, its 12m members have become more valuable now AOL is focusing on advertising and internet commerce rather than subscriptions. AT&T WorldNet, with inferior infrastructure, faces new competition from MCI and Sprint ventures. AOL is the obvious quick-fix.

Armstrong has already tackled AT&T's gaping hole in the local telecoms business with his $11.3bn acquisition of Teleport. With AOL on board, Armstrong would be able to package long-distance, local and internet services to customers in an attractive bundle. The only snag seems to be that AOL may not want to sell. Furthermore, while Armstrong may be willing to raise his offer for a strategic gem, he may not be the only suitor. NBC's recent stakes in two smaller web companies are a sign that media and telecoms companies are in the market for internet property – and AOL shareholders have some prime real estate.

UK economy

This month's rise in UK interest rates initially gave the impression the Bank of England was on top of inflation. Briefly, long-run inflation expectations – as measured by the difference between conventional and index-linked bond yields – almost converged on the government's 2½ per cent target. No longer. This week's news on price and wage inflation suggests the Bank is behind the curve. Eddie George, Bank of England governor, used to be fond of the homily "a stitch in time saves nine". Nine more stitches should not be needed. But this month's was probably not the last.

Billiton

At first sight, a buy-back from Billiton looks perverse. It is less than a year since the metals group floated, raising $1.5bn. Now it plans to spend about a third of that barely touched pile buying shares back. Meanwhile, investors have been burnt. Yesterday's closing price of 137½p is nearly 40 per cent below the flotation level, as falling Asian consumption has punctured commodity prices. Salt had recently been rubbed in investors' wounds by a stock overhang after a big South African investor cut its stake.

Fortunately, yesterday's announcement represents a belated attempt by the management to stop the rot. Signalling a buy-back puts a floor under a share price that has slid well below net asset value: the cash alone is worth about 50p a share. As the group would still have about $2.5bn spending power, such a move hardly constrains it. The net profit promise of $455m for the year about to end should also steady nerves. A price-earnings ratio of little more than 10 sufficiently discounts more bad news on metals prices.

Billiton does, however, look a bit laggardly in snapping up assets in depressed markets compared with its venerable peer Rio Tinto. It has also been less adept at selling its story: Rio Tinto has said it will cut $300m from costs; Billiton just baldly states it is a low cost producer. Burnt investors deserve more attention if they are to regard the company as more than a play on the aluminium price.

Norwegian central bank attacks government policy

Handling of economy condemned for undermining competitiveness

By Tim Burt in Stockholm

Norges Bank, the central bank of Norway, yesterday issued a damning indictment of the government's handling of the country's economy, warning it was undermining competitiveness and fuelling inflation.

The central bank said in a statement that its advice for a tighter fiscal policy had been largely ignored and that wage growth – projected at 6 per cent this year – was likely to be three percentage points higher than among Norway's main trading partners.

Kjell Storvik, the central bank governor, said he warned the finance ministry last year that fiscal policy had to be tightened by around 1.5 per cent to slow economic growth.

"The fiscal policy programme for 1998 should have been tighter than proposed," he added.

The bank forecast that rapid wage growth would reduce the competitiveness of Norwegian manufacturing industry by 12 per cent in the five years up to 1999.

Members of Norway's minority coalition government yesterday expressed dismay at the tone of the central bank's quarterly inflation report, which forecast consumer price inflation of 2.5 per cent this year and 3 per cent in 1999.

A revised budget proposed by the three-party coalition, which came to power last autumn, has been blocked in Norway's parliament, the Storting, after opposition parties warned that fiscal policy was too loose to prevent overheating in the oil-rich economy.

The revised budget, currently stalled in parliament, includes a fiscal tightening equivalent to 0.5 per cent of gross domestic product, double the figure proposed in the 1998 budget last December.

Fears that the budget would fail to damp economic growth have recently undermined the Norwegian krone.

Last month, the central bank intervened to shore up the currency by raising interest rates by 0.5 percentage points to 4.25 per cent.

Yesterday, Mr Storvik said: "The deliberations on the revised national budget do not give the impression of fiscal policy as an appropriate and effective instrument for stabilising the economy."

The central bank has warned for some time that it should be given greater freedom to use monetary policy to help regulate the economy. At present, the bank is allowed to use interest rates only to protect the krone.

"When monetary policy is confined to stabilising the exchange rate and incomes policy fails to play its role, fiscal policy will have to be even more effective," said Mr Storvik.

Audun Gleinsvik, chief economist at Christiania Bank, warned that the economy would overheat if fiscal measures were not tightened in this autumn's annual budget.

"Domestic demand is growing too strongly and there is not sufficient capacity to expand the manufacturing sector," he said.

"It is the type of situation we wanted to avoid."

US senators urge Rubin and Greenspan to end bank law row

By Richard Wolffe in Washington

US senators yesterday urged the Federal Reserve – the central bank – and the US Treasury to resolve their bitter dispute over the reform of archaic banking laws as the row between the two sides threatened to scupper new legislation.

Alan Greenspan, chairman of the Federal Reserve, and Robert Rubin, Treasury secretary, accused each other of backing proposals that would undermine the US banking system.

Senators called for a compromise to allow the "historic" passage of the financial services bill, which was passed by a majority of one in the House of Representatives last month. The law would overhaul Depression-era and post-war legislation, which largely separates banking, securities and insurance.

The dispute centres on the corporate structure of financial conglomerates emerging from the recent wave of mega-mergers. This included the $166bn deal between Citicorp and Travelers Group.

Unless the financial laws are reformed within five years, the newly-formed Citigroup will be forced to sell Travelers' insurance underwriting business.

The Federal Reserve backs the current bill, which would require financial companies to place new operations in an affiliate of a bank holding company rather than a subsidiary of the bank itself. That would shift regulation of the financial conglomerates away from the Treasury to the Federal Reserve.

Speaking to the Senate banking committee, Mr Greenspan said the Treasury's proposals would widen the government's insurance of bank deposits to other financial businesses and markets. He said this would lead to the spread of "moral hazard" to brokers and insurers, who would no longer be fully responsible for their own losses.

Mr Rubin countered by arguing the bill would shift bank policy, "a key component of economic policy", away from the elected government to the unelected Federal Reserve. He had already threatened that the administration would veto the legislation in its present form.

Mr Rubin said the new laws would restrict the freedom of financial services groups to choose their own corporate structure and allow financial companies to avoid their responsibilities to serve deprived communities.

Alfonse D'Amato, chairman of the senate banking committee, said: "It is really unacceptable to suggest or think that two of the world's premier experts in this area cannot come together and forge a compromise based upon what is best for the health of this nation."

Mr D'Amato, who has previously seemed unenthusiastic about passing the legislation this year, said there was nothing to be gained by deferring the debate.

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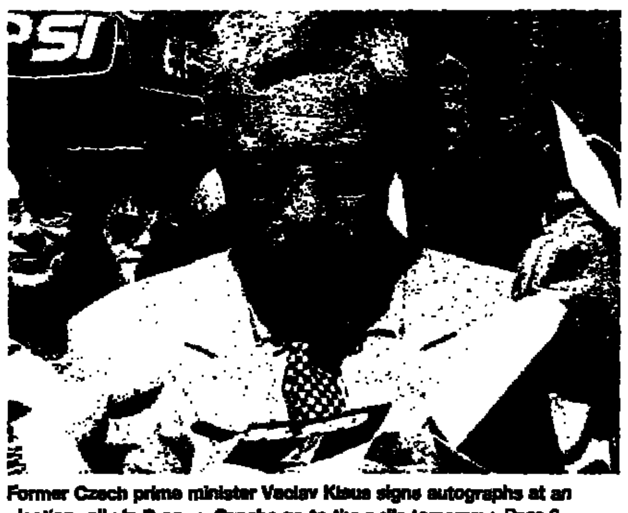


Former Czech prime minister Vaclav Klaus signs autographs at an election rally in Prague. Czechs go to the polls tomorrow. Page 2

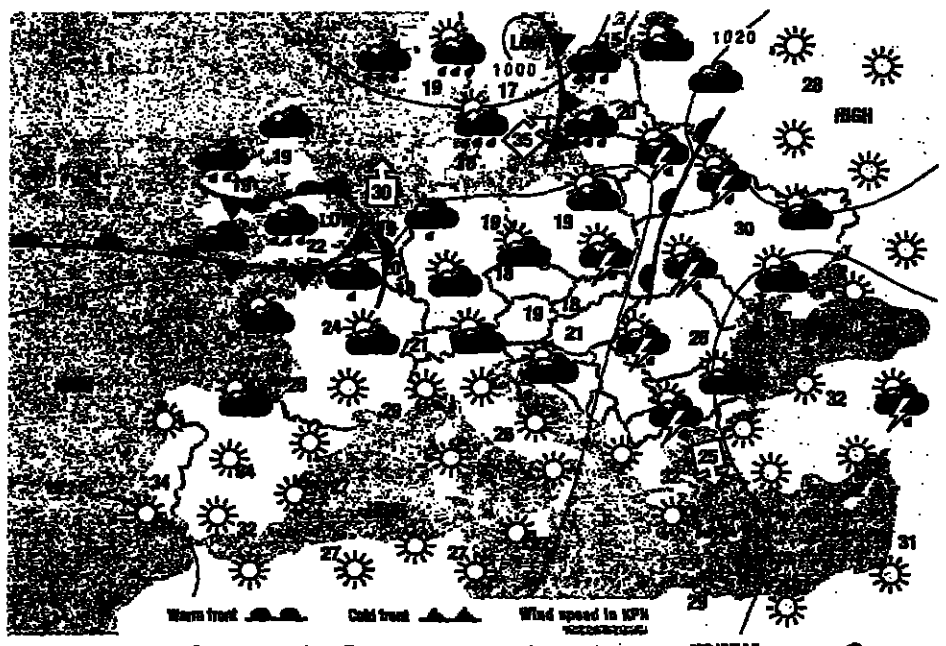
FT WEATHER GUIDE

Europe today

Scandinavia will be unsettled with heavy showers or spells of rain. Denmark and southern Sweden will have only a few showers but will remain fairly cloudy. Eastern Europe will again have thundery showers but it will become drier over Poland and the southern Baltic countries with sunny spells developing. Central and western Europe will be dry and sunny, but cloud and rain will affect the north-west. The Mediterranean will be mainly sunny and Spain and Portugal will be particularly hot.

Five-day forecast

Scandinavia will become more settled with few showers and better spells of sunshine by early next week. Central and western Europe will become very warm with plenty of sun, especially over Spain and France. Thundery showers are likely to break out over western areas by Sunday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	40
Accra	Fair	26
Algiers	Sun	27
Amsterdam	Rain	19
Athens	Fair	32
Atlanta	Sun	34
B. Aires	Fair	13
B.ham	Rain	19
Bangkok	Thunder	34
Barcelona	Sun	26
Beijing	Shower	27
Belfast	Rain	18
Belgrade	Thunder	18
Berlin	Fair	19
Bermuda	Fair	28
Bogota	Rain	18
Bombay	Fair	32
Brussels	Shower	20
Budapest	Fair	21
C.hagen	Cloudy	16
Cairo	Sun	34
Caracas	Cloudy	32
Cardiff	Rain	18
Casablanca	Sun	29
Chicago	Thunder	28
Cologne	Shower	21
Dakar	Sun	25
Dallas	Thunder	35
Delhi	Cloudy	37
Dubai	Sun	42
Dublin	Cloudy	19
Dubrovnik	Sun	26
Edinburgh	Cloudy	18
Faro	Sun	27
Frankfurt	Shower	20
Geneva	Sun	21
Gibraltar	Sun	23
Glasgow	Cloudy	19
Hamburg	Shower	17
Helsinki	Rain	15
Hong Kong	Fair	31
Honolulu	Cloudy	31
Istanbul	Fair	28
Jakarta	Fair	33
Jersey	Fair	19
Johannesburg	Sun	20
Karachi	Fair	38
Kuwait	Sun	48
L. Angeles	Sun	23
Las Palmas	Fair	27
Lima	Cloudy	23
Lisbon	Sun	34
London	Shower	22
Lux.bourg	Shower	19
Lyon	Sun	24
Madeira	Sun	24
Madrid	Sun	34
Majorca	Sun	27
Malta	Sun	27
Manchester	Rain	18
Manila	Fair	35
Melbourne	Sun	15
Mexico City	Fair	31
Miami	Fair	34
Milan	Fair	26
Montreal	Shower	24
Moscow	Shower	28
Munich	Shower	19
Nairobi	Fair	26
Naples	Fair	29
Nassau	Fair	32
New York	Cloudy	29
Nice	Sun	24
Nicosia	Sun	31
Oslo	Shower	19
Paris	Fair	24
Perth	Fair	19
Prague	Fair	18
Rangoon	Shower	32
Reykjavik	Shower	11
Rio	Cloudy	24
Rome	Sun	26
S. Frsco	Sun	23
Seoul	Fair	28
Singapore	Fair	32
Stockholm	Rain	17
Strasbourg	Cloudy	22
Sydney	Fair	17
Tangier	windy	29
Tel Aviv	Sun	32
Tokyo	Rain	24
Toronto	Cloudy	24
Vancouver	Rain	16
Venice	Sun	24
Vienna	Fair	19
Warsaw	Fair	19
Washington	Fair	31
Wellington	Cloudy	11
Winnipeg	Shower	21
Zurich	Sun	21

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Rare glimpse into Swiss vaults
Evaluating the worth of Switzerland's private banks is difficult because they rarely come up for sale, and those that do often change hands behind a veil of secrecy. The sale of Banca della Svizzera Italiana, Lugano's oldest bank, offers a rare insight into the world of Swiss private banking. Page 21

America Online shares jump 6%

Shares in America Online leapt almost 6 per cent after it emerged that the world's leading online service had rebuffed a takeover approach from AT&T, the US's largest telecommunications company. AT&T approached AOL several weeks ago with an offer, which was said to have valued AOL at \$32bn-\$33bn. Under Michael Armstrong (above), its new chairman, AT&T has set out to expand into new markets to add to its core long-distance business. Page 22; Lex, Page 16

PAL may have to reschedule debt
The Philippine National Bank said Philippine Airlines, the strike-hit carrier, might have to reschedule part of its \$1.96bn debt. PAL said it had lost more than 2bn pesos (\$47m) as a result of the pilots' strike, on top of the \$200m loss it suffered in the year ending March 1998. Page 20

Stronger yen lifts Korean stocks
The Seoul stock market enjoyed its biggest ever one-day rise yesterday, boosted by the yen's renewed strength and arbitrage trade between the spot and index futures markets. The market also welcomed President Kim Dae-jung's commitment to proceed with economic reform. Page 38

Associates Corp raises E500m
Associates Corp, the consumer finance group spun off from Ford, became only the second US corporate to issue in euros yesterday, following General Motors Acceptance Corp into the market with a E500m floating-rate note issue. Page 26

Green light for China Everbright
China Everbright International, one of the Hong Kong-listed companies under the arm of China's State Council, has won shareholder approval to take control of Kumagai Gumi. Page 20

Brighter outlook for Turkish market
Turkey remains one of the better-performing emerging stock markets this year, in spite of a decline in dollar terms of about 12 per cent since January. Political optimism is helping, but the main drive is coming from signs that Turkey's rampant inflation is being brought under control. Page 38

Australian banks seek freedom
Australian bankers warned that the country's largest banks were at risk of falling behind foreign competitors in the domestic market if the government did not lift merger restrictions. Page 20

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MARKET STATISTICS

Five groups in pulp mill battle

Forestry rivals compete to win \$960m Latvian project

By Greg McIvor in Stockholm

Five international forestry groups, including four from Scandinavia, are competing to build a \$960m pulp mill in Latvia – one of the biggest direct foreign investments in the Baltic region.

A joint venture between Metsä-Serla, the Finnish forestry group, and Södra of Sweden, the world's biggest producer of softwood, or long-fibre, pulp, is bidding against Enso of Finland, Sweden's SCA and Toleram of Singapore.

The plant, which is to be built on a greenfield site 160km south-east of Riga, the Latvian capital, will be one of Europe's biggest pulp mills with annual capacity of 600,000 tonnes of softwood pulp.

The scheme reflects the Latvian government's ambition to develop the country's extensive forest base.

About 42 per cent of the country is covered by woodland, much of it virtually untouched. Forestry is Latvia's most important export industry, accounting for more than a third of export revenues last year.

Metsä, through its parent company, Metsäliitto, and Södra are seen as front-runners for the contract owing to their strength in market pulp production.

Ulf Gunnarsson, a senior Södra official, said: "We understand that these resources of pulpwood are going to be utilised in the near future and, if that is going to happen, Södra certainly would like to be involved."

He said Södra and Metsä were considering a three-way joint venture with the Latvian government under which each party would own a one-third stake in the mill.

Additionally, the two companies would require the Latvian government to fund infrastructure improvements and provide tax breaks.

Virtually all the plant's output would be exported to European markets.

Metsä and Södra have already studied logistics and wood availability around the planned site and they expect to complete a more detailed feasibility study later this year.

Latvia is a large exporter of timber to Nordic and other European markets – in particular to Sweden and the UK – for which it is the second largest source of sawn wood.

Construction of a modern pulp factory underlines the country's determination to shift the emphasis of its forest industry from raw material supply to the export of more value-added products such as pulp and paper.

The plant, to be built near the Daugava river, would be by far the biggest forestry project in Latvia and one of the largest foreign investments in any of the three Baltic republics following their independence from the Soviet Union in the early 1990s.

Arvids Ozols, of Latvia's state forest service, said 27 companies had been canvassed to take part in the project.

Talks were in progress with the four applicants and detailed negotiations would start with one or two by the end of this month or in early July.

Keystone to growth, Page 28

Credit derivatives market set to double this year

By George Graham and Edward Luce

The market for credit derivatives, which allow banks to trade and insure against the risk that their borrowers will not repay them, exploded into life last year and is set to double in size again this year.

A survey of leading banks conducted by the British Bankers' Association found the global market for credit derivatives grew to \$170bn at the end of 1997 from an estimated \$40bn-\$50bn a year earlier.

Banks expected the total outstanding value of credit derivatives to jump to \$350bn by the end of 1998 and \$740bn by 2000.

Large banks have invested heavily in credit derivatives operations, which they see as an opportunity to boost trading and manage their own risks. Until recently, however, the products were more talked about than traded.

Volumes have grown much faster than most banks expected. Today's estimate for the size of the market in 2000 is more than seven times as large as the \$100bn figure produced by the same survey a year ago.

Blythe Masters, head of credit derivatives at J.P. Morgan, said: "The underlying credit market is huge. There is no real theoretical cap, any time in the near future, to how much the market can expand."

Data from US regulators show that the volumes of credit derivatives handled by commercial banks in the US alone leapt from \$97.1bn at the end of December to \$148.4bn at the end of March.

Investment bankers say much of the growth over the past 12 months comes from trade in emerging market paper. Most of this can be attributed to the effects of the Asian crisis, which has caused heavy losses for many banks and fund managers.

Ethan Meister, managing director of credit derivatives at Credit Suisse Financial Products, estimates that roughly 25 per cent of the notional value of credit derivatives is linked to emerging market bonds.

"Credit derivatives are a very efficient way of transferring risk," he said. "The Asian crisis has alerted many investors and banks to the need to manage their credit exposure more effectively."

Billiton plans \$500m share buy-back

By Kenneth Gooding in London

Billiton, the mining and metals group, yesterday announced its intention to buy back up to 10 per cent of its shares, which at the present price would cost nearly \$500m.

The move came just one year after Billiton raised £949m (\$1.5bn) with a listing in London that took it straight into the FT SE100 index.

Billiton's share price responded positively, moving up 8.5 per cent to 137¼p.

Nevertheless, the shares remained 38 per cent below the level of 221½p reached in July last year when Billiton was spun off from Gencor of South Africaand 45 per cent down from the peak of 249½p in September.

Mick Davis, finance director, said the buy-back did not mean that Billiton was reneging on its promise to diversify and grow by acquisition.

"It hasn't altered our focus on expansion at all and we are looking at some opportunities. But we had to recognise that, at today's price, it represented tremendous value to our shareholders to buy back our own shares."

The scheme would enhance earnings and the net asset value per share and reduce the cost of capital.

Billiton also said its net attributable profit for the year to June 30 would be not less than \$455m compared with the pro forma \$335m for the previous 12 months.

The \$455m is in the middle of a wide range of analysts' forecasts.

Analysts were split about the buy-back move.

Charles Kernot, at Paribas, said: "Having come to the market last year to raise money so they could go off hunting for assets, it's strange to see them handing cash back to shareholders."

He said that, even though Billiton had about \$1.5bn cash, there was a danger that, after the buy-back, it would load itself up with debt at a time when base metals prices were expected to remain low for two or three years.

However Nigel Kieser, at J.P. Morgan, said: "This is a very well-timed announcement. The share price has fallen by 32 per cent since May 11, partly in line with the mining sector as a whole.

"I believe Billiton has been offered a number of assets to buy but prices are still too high. So buying back its own shares looks like the best strategy."

He said Billiton's price had also been affected by the decision of Sanlam, the South African financial group, to reduce its holding in the UK company from 15.7 per cent to 10.9 per cent because of Sanlam's demutualisation.

Dresdner Kleinwort Benson bought Sanlam's stake for about 158p a share and some speculate that Kleinwort still has 40m to 50m of the 101m shares.

Billiton intends to ask shareholders to approve the buy-back plan at the annual meeting on October 14.

It would not be able to buy shares tax-effectively until April next year after the UK abolishes accelerated corporation tax.

Lex, Page 16

Thorn sells US arm for \$893m

Renters Choice to assume lawsuit risk

By David Blackwell in London and Richard Tomkins in New York

Supporting cast: Thorn chief executive Steve Marshall amid a group of statues in London Picture David Ahmed

Thorn, the troubled rental group that owns Radio Rentals in the UK, yesterday sold its US operations for £545m (\$893m) and promised to return a substantial amount of the proceeds to shareholders.

The buyer is Renters Choice, quoted on Nasdaq and number two in the \$4bn US rent-to-own market. It will become market leader after the acquisition of Thorn Americas, based in Wichita, Kansas, with about 1,400 stores trading under the Rent-A-Center, Remco and U-Can Rent names.

Analysts said the sale was notable for two reasons – the price was higher than expected and the deal absolved Thorn from any further US legal action. "Their exit from risk at a good price has caught people on the hop," said one.

The shares reacted to the news with a jump of 18p, but fell back to close up 10¼p at 220p – still little more than half the price when the group demerged from Thorn EMI in August 1996.

The deal needs the approval of the US regulatory authorities. Steve Marshall, Thorn chief executive, said he was confident it would get the go-ahead, but the earliest likely completion date would be in August. He said that while some of the proceeds would be used to repay debt, a substantial part would be distributed to shareholders. They would be asked to approve the sale at the annual meeting on July 15. The sale is the first positive news to follow the strategic review announced last year, which concluded there was a gap between the market valuation of the company and the likely valuation of the businesses at sell-off.

Last month Thorn announced plans to divest itself of all but its core UK operations.

Thorn Americas had been facing class action litigation in some states over allegations that its rental purchase agreements breached the Retail Instalment Sales Act and usury laws. Thorn had set aside provisions of £23m for actions nearing completion in Minnesota and Pennsylvania.

Renters Choice, which was advised by Bear Stearns, said it would assume liability for class action suits in other states, adding that the outstanding litigation had been carefully reviewed and factored into the purchase price.

The US group, which last year reported a 44 per cent increase in net profits to \$26m on sales of \$332m, believes the merger will lead to greater efficiencies arising from economies of scale, producing cost savings growing to \$30m a year over the next two years.

It plans to finance the transaction by issuing \$235m of convertible preferred stock to affiliates of Apollo Management, a private investment partnership. The balance will be arranged by Chase Securities.

Last month Thorn reported annual pre-tax profits down from £103m to £69.6m. It also dampened hopes that continuing takeover talks with a mystery bidder, widely believed to be David and Frederick Barclay, the hotel and newspaper owners, would lead to an offer.

Comment, Page 23

LTCB of Japan hit by rumours

By Michiyo Nakamoto and agencies in Tokyo

Long-Term Credit Bank of Japan, the nation's second-biggest credit bank, yesterday called its second emergency press conference in two weeks after its shares lost more than 30 per cent of their value during the day before closing down 20 per cent at Y123.

The hurried move by the bank to try to quell persistent rumours about its health was supported by Hikaru Matsunaga, finance minister, who played down the risk of any imminent bank failures.

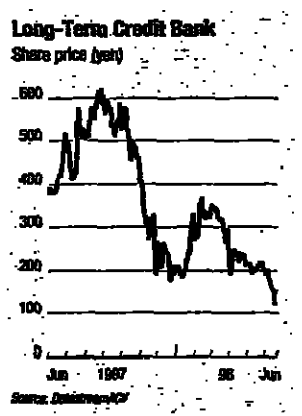
"Among large financial institutions ... there is none that is close to failing. At this point in time I believe there is no bank in danger," Mr Matsunaga told a parliamentary panel.

LTCB said it had asked the Securities and Exchange Surveillance Commission, the nation's brokerage industry watchdog, to investigate the latest speculation that it would face a financial crunch because of the maturity of Y1,000bn (\$7bn) worth of its bonds on Friday. LTCB has already sued a magazine which earlier this month claimed the bank faced a liquidity squeeze.

The bank has recently suffered sharp declines in its share price because of mounting concerns about its alliance with Swiss Bank Corporation.

"The rumours were totally groundless," said Masami Suda, vice-president. "Our alliance with Swiss Bank Corp is proceeding smoothly. Our business is proceeding smoothly with no problems in terms of lending or raising funds."

A bank official denied that LTCB had such a large amount of bonds maturing soon and said that the bank had two-year debentures due on Friday but that these amounted to only Y100bn.



However, despite repeated denials by bank officials, LTCB faces the possibility of seeing its bonds, which have been on review for possible downgrade, demoted to junk status by Moody's, the credit rating agency. Its level of bad loans, at Y1,569bn, is one of the highest among Japanese banks and prompted the bank to write off Y633bn worth of bad loans in the last financial year. Reflecting that write-off, LTCB posted a Y282.7bn pre-tax loss.

Meanwhile Bank of Tokyo-Mitsubishi, Japan's largest bank, said group-based problem loans calculated under US accounting rules totalled Y1,230bn at the end of March. This was sharply lower than the Y2,250bn BTM reported last month, calculated under a new disclosure method introduced by the Japanese banking industry.

TRAVEL INDUSTRY US GROUP TO ACQUIRE FRENCH AGENCY WITH 632 OUTLETS IN FFR850M DEAL

American Express to buy Havas Voyages

By Andrew Jack in Paris

American Express of the US is to pay about FFr850m ($141m) for Havas Voyages, the Paris-based travel agency, in a move that will give it the largest network in France.

The US group will gain control of 632 Havas Voyages agencies, employing 4,500 in France. Last year the business reported sales of FFr13.5bn and an operating profit of FFr133m.

The deal builds on a joint venture established between the two groups in 1995 for the development of business travel services, which was 19 per cent owned by American Express and 81 per cent by Havas Voyages.

Yesterday's transaction represents the latest step in the refocusing of the activities of Havas, the media group acquired early this year by Vivendi, the French utilities group formerly known as Générale des Eaux.

The deal will involve all parts of Havas Voyages except its 50.1 per cent stake in Maeva, a network of holiday apartments, which will be acquired by CGIS, Vivendi's property division, and which is believed to be worth about FFr150m.

Eric Licoys, chairman of Havas, would not reveal the precise value of the two Havas Voyages transactions, but said they represented between them a little more than FFr1bn. The company said it would make a capital gain on the deal, but again would not say how much.

Havas said the move reflected its decision to concentrate on its specialist press, publishing and multimedia activities, following a number of other recent divestments, including the generalist news magazine Le Point.

However, in a modification of previous statements over the past few months, the group stressed a new commitment to a fourth pole of activity – the quoted subsidiary Havas Advertising.

It said it planned to maintain its existing 30 per cent stake in the advertising business rather than reduce the holding to about 20 per cent.

American Express said Havas Voyages would maintain its name for six years, with an additional label reflecting that it was part of the American Express group. The transaction is due to be completed by the end of this month.

American Express said it was the largest travel operator in the world, with a net income of FFr2bn on turnover of $17.7bn last year earned through a network of 3,200 agencies.

Thai venture hits Bols

By Gordon Cramb in Amsterdam

Bols Wessanen, the Dutch food and drinks group, warned last night that interim profits would be hit by problems with its joint venture in Thailand and increased raw materials costs in the US.

"The present expectation is that net income from ordinary activities will be 15-20 per cent lower than in the first half of 1997," it said. Bols' earnings then reached Fl 79.8m ($39.3m).

The statement came after the close of the Amsterdam market, where Bols shares had ended 20 cents easier at Fl 32.20.

"The continuing crisis in the Far East has put exports, especially to Japan, increasingly under pressure during the last few months. It is not expected that this situation will improve significantly in the short term," the company said.

Bols' dairy operations in the US, meanwhile, were confronted with cost increases that could not immediately be passed on to customers. The group said, however, that raw material prices were unlikely to remain at those high levels, and that other activities were proceeding as planned.

The group, created through a 1993 merger, is splitting off its drinks side. In April, it sold its French wine estates to management, after putting the Bols distillery business up for sale the previous month. Mac Zondervan, chairman, had warned in March that first-half results could be slightly lower.

Bols said yesterday only that divestment of the spirits side remained under way, and that a full-year earnings outlook would not be given until late August.

Rush for EdP offering

By Peter Wise in Lisbon

The retail tranche of a global offering of 18 per cent of Electricidade de Portugal, the national power utility, was last night more than 17 times subscribed after only two days of pre-registering orders.

Bankers said yesterday that small savers, who have been queueing at banks to register, had already placed orders for 977m shares. Only 57m are on offer to retail investors.

The sale is expected to raise more than Es450bn ($2.45bn), more than any Portuguese privatisation.

EdP shares gained 2.3 per cent yesterday to close at Es4,575. The shares have more than doubled in value since an initial public offer of 30 per cent a year ago.

EdP said yesterday that 59.58 per cent of the offering was being reserved for the retail tranche and the remainder for institutional investors.

EdP's international roadshow is in London today before moving to the US next week. Global co-ordinators are ABN Amro Rothschild, Goldman Sachs and Banco Português de Investimento. Analysts say there is huge, pent-up demand among small savers for equity offerings in Portugal, following a sharp fall in interest rates over the past two years.

A recent offering of Cimpor, the country's biggest cement producer, was more than 150 times subscribed and a lottery system had to be used to allocate shares, bankers said.

An offering of 21 per cent of Finibanco, an investment bank, due to be concluded on June 22, is more than 300 times subscribed, according to analysts.

More change: Massimo Sarmi this week replaced Vito Gamberale as chief operating officer after the third resignation at Telecom Italia under the chairmanship of Gian Mario Rossignolo AP

Telecom Italia head survives investor unrest

By James Blitz in Rome and Alan Cane in London

Gian Mario Rossignolo, the embattled chairman of Telecom Italia, was reconfirmed in his post in the early hours of yesterday by shareholders in the group.

At the end of a marathon 18-hour annual general meeting, weary-looking delegates reappointed the 67-year-old chairman at the Lingotto conference centre on the outskirts of Turin.

They finished business just in time to let Cesare Romiti, the outgoing Fiat chief executive, take over the hall for a farewell salute from his troops that was somewhat more jovial than their own proceedings.

For the previous day and a half, Mr Rossignolo had come under repeated attack over the way he has managed the company since January. Leading mutual funds in the group even refused to endorse the 1997 accounts for lack of a proper business plan.

And the re-appointment of the man dubbed the "John Wayne" of Italian capitalism has not brought the curtain down on the Telecom Italia debacle. Most insiders believe the group is on the verge of yet another management upheaval, one that is certain to see the appointment of a new and powerful chief executive and, at the very least, a savaging of Mr Rossignolo's considerable powers.

Telecom Italia, privatised by the Italian government last September, is deemed by many analysts to be fundamentally sound, with post-tax profits last year of L3,448bn ($1.94bn), up 12.5 per cent on the previous year. However, a series of dramatic upheavals and continued criticism of Mr Rossignolo's management style have taken their toll on the share price, up 13 per cent this year against a Milan stock market that has risen 32 per cent.

The biggest issue facing the company now is whether it can appoint a new and capable chief executive – one who can guide the group in an environment of intensifying competition in fixed and mobile services. And one who can last.

The group's shareholders – which include the Italian government (5 per cent), the Agnelli family (0.6 per cent) and Credito Italiano (0.7 per cent) – agree that a new chief executive must now be appointed, in spite of reservations from Mr Rossignolo, whose management plan put most powers in his hands.

But making such an appointment will be far from easy. When it was privatised last year, the Treasury created a "stable core" of shareholders, so that no one business group could get overall ownership of this vital utility. "Getting these fragmented groups to agree on a single candidate is, and has always been, this group's basic problem," says Mario Citelli, head of Reseau, a Milan-based telecoms consultancy.

Even if the right person can be found for the job, the task he or she faces will be far from easy. Telecom Italia's operations are increasingly vulnerable.

One of the biggest threats in both fixed and mobile telephony comes from WIND, the consortium created by Italian electricity giant Enel, France Telecom and Deutsche Telekom. The European partners have deep pockets, and Enel has a network that reaches into every Italian home.

Fighting off this competition will require a business plan. One element must be a management overhaul of a group that analysts believe is overmanned and inefficient. Telecom Italia's external relations department, for example, has 450 people, double that of France Telecom and four times that of British Telecommunications. "Telephony is a business where you have to be slim and swift, not large and heavy," said one figure close to the group.

The second challenge is to get clarity over Telecom Italia's international strategy. Its alliance with Cable and Wireless of the UK is a mixed bag of deals, involving traffic-sharing and an agreement to purchase some C&W assets.

But analysts say it is far from being a global alliance that opens up new markets. There is concern, too, that while its French and German counterparts have now won access to Italy, Telecom Italia has, so far, little access to European Union markets on the eve of monetary union.

This gives added significance to the group's continuing talks with Unisource, the European alliance of the telecoms operators of the Netherlands, Switzerland and Sweden.

On Tuesday Mr Rossignolo had to correct his earlier statement that agreements had been signed between the two organisations. There is, however, optimism within Unisource and Telecom Italia that an accord will shortly be struck on ways to make the most effective use of their respective networks in Europe's key markets. It is also thought that Unisource will agree with Rome to take a 1.2 per cent stake in the Italian operator.

AT&T of the US, Unisource's principal European partner, has been kept fully aware of the talks but has not been party to them.

Neither of these agreements, observers say, should affect the Italian company's international alliance with the UK's C&W. They point out that the C&W deal is non-exclusive and that, in any case, the details have yet to be made clear.

C&W said yesterday that the two companies were making good progress in thrashing out the fine detail of the agreement. Dick Brown, C&W chief executive, when asked about rumours that Telecom Italia would like to recruit him as chief executive replied: "I don't speak Italian."

هكذا من الاصل

CIVIL ENGINEERING HONG KONG-LISTED GROUP EXTENDS REACH IN SECTOR WITH CONTROLLING STAKE IN KUMAGAI GUMI

China Everbright wins backing for HK buy

By Louise Lucas in Hong Kong

China Everbright International, one of the Hong Kong-listed companies under the acquisitive business arm of China's State Council, yesterday won shareholder approval to take control of Kumagai Gumi (Hong Kong).

The deal, which sees China Everbright extend its reach into civil engineering and contracting, was made possible by a waiver from the Securities and Futures Commission, Hong Kong's securities regulator.

Following its latest acquisition, China Everbright's stake in Kumagai rises from 20.98 per cent to 35.07 per cent – above the 35 per cent trigger for a general takeover offer. However, the SFC's "whitewash waiver" means China Everbright is not obliged to make a general offer.

The deal raises HK$430m (US$55.5m) for Kumagai, which will be used as working capital for construction and to reduce bank borrowings. It is also expected to help cement Kumagai's role in its new controlling shareholder's projects.

"Given the relationship between the company and the China Everbright group, it is expected that Kumagai will play an active role as a main contractor for China Everbright's planned construction contracts. A number of such contracts are under active consideration," Kumagai said.

Directors outlined three further benefits of the bigger shareholding: the broader capital base as a result of the share subscription, which also lowers the company's gearing; the facilitating of debt financing and issues in the capital markets; and the creation of opportunities for Kumagai to acquire construction contracts and investment stakes in China Everbright's projects.

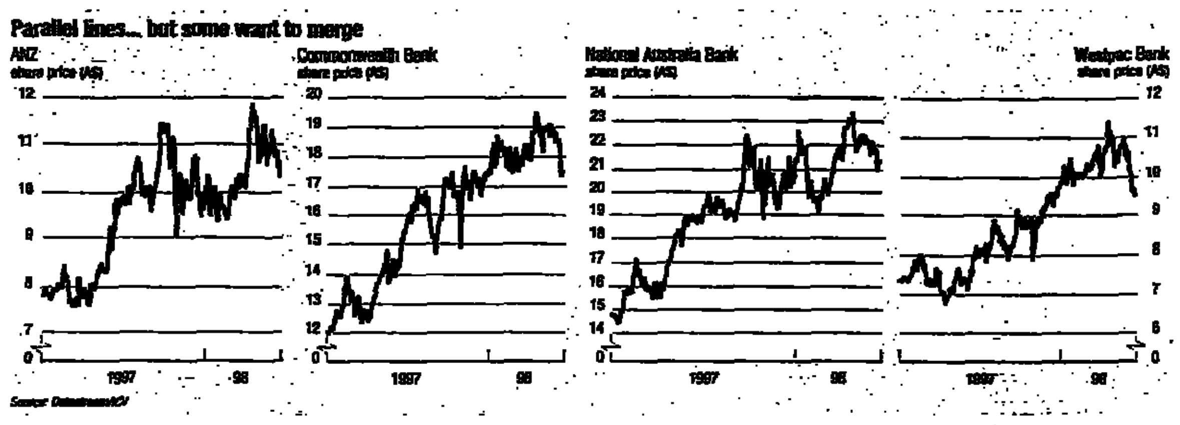
Kumagai yesterday obtained a general waiver on future construction contracts from its shareholders, so that participation in these projects was not held up by delays in seeking shareholder approval.

The three-year waiver is for construction contracts entered into with the China Everbright group. These contracts will instead be approved by independent directors to ensure that the terms are fair and reasonable.

Yesterday Kumagai shareholders also gave the green light to a HK$1bn contract for a 49-storey commercial tower in Shanghai in which Kumagai has been appointed the main contractor. Work is due to begin later this year.

Australian banks demand their freedom to merge

The 'big four' say curbs may put them behind foreign competition, writes **Gwen Robinson**



Australian bankers and analysts warned yesterday that the country's largest banks were more at risk than ever of falling behind foreign competitors in the domestic banking industry if the government did not lift merger restrictions.

The recent plunge of the Australian dollar to 12-year lows and the stock market's decline had intensified competitive pressure on the big banks, said Don Argus, managing director of National Australia Bank, Australia's largest and most profitable bank.

If the top four banks were not permitted to merge, their share prices would be discounted to such an extent in the market that they would be "destabilised, raided or dismembered," Mr Argus warned.

Mr Argus, a strident advocate of financial reforms proposed by the 1997 Wallis inquiry into financial deregulation, is now a member of an influential committee advising Peter Costello, Australian treasurer, on financial deregulation. He has publicly criticised the government's delay in implementing some of the inquiry's main recommendations.

Earlier this year, the government lifted certain restrictions – including those governing non-bank institutions, takeovers and corporate fund-raising – under Mr Costello's programme of financial reform. The biggest stumbling block hindering the competitiveness of the country's top banks, however, remains the government's "four-pillars" policy against mergers, Mr Argus said.

On a day which drew executives and securities analysts to a variety of business conferences in Sydney and Melbourne, senior bankers outlined their latest responses to the recent deterioration in the Australian business environment.

Australia and New Zealand Banking Group, the fourth largest bank in terms of market capitalisation, said it was hoping to make at least one big acquisition in Asia next year, possibly part of a leading financial institution in a south-east Asian country.

John McFarlane, ANZ chief executive, suggested the group was looking at Indonesia, where a 50 per cent stake in a "reasonable" bank could go for about A$50m (US$30m). A similar acquisition in Singapore, would be more expensive, he said.

Of Australia's top four banks, ANZ has the greatest exposure to Asia, but has cut this by 38 per cent to just over A$12bn in the six months to March. ANZ's previous level of regional exposure "may have been tolerable in normal circumstances, but is well in excess of acceptable risk norms today," said Mr McFarlane.

Mr McFarlane, who has been less vocal than NAB's Mr Argus on the restrictions against "top four" mergers, said recent reforms had enabled some foreign banks to sidestep regulatory authorities and gain direct government approval for mergers. Australia's leading banks would have to be more "pro-active" if they wanted rationalisation in their industry, he said.

Commonwealth Bank of Australia, the country's third largest bank, said it planned to develop a large equity broking operation, which it hoped would become a "significant plank" of the bank's profits drive in the coming years.

Michael Katz, CBA's head of institutional banking, said the bank was already Australia's largest internet broker, with 600 trades a day and 3m hits a month on its website. For the time being, the costs of establishing a full equities division, particularly a research operation, were too high in the current competitive environment, he said.

But as part of the bank's strategy to develop a full range of broking products, CBA yesterday issued three- and five-year instalment warrants over its recently listed Commonwealth Diversified Share Fund.

Shaw Stockbroking of Australia said investment in bank shares was likely to become less attractive if the economy continued to slow under the threat of higher interest rates and further depreciation of the Australian dollar. Lower demand for finance and reduced loan and transaction fee income would "threaten domestic profits, even without further pressure", the broker warned.

ANZ's John McFarlane: banks need to be more pro-active Reuters

PAL 'may have to revamp debt'

By Abby Tan in Manila

The Philippine National Bank said yesterday that Philippine Airlines, the strike-hit carrier, might have to reschedule part of its $1.96bn debt.

PNB, a minority shareholder of PAL as well as a creditor bank, said it had loans with the airline but that they were "secured". It was confident they would be paid eventually.

"While the prevailing difficulties of PAL would require rescheduling of payments, the bank is confident that all the bank's exposure in PAL will be fully satisfied over time," PNB said.

The bank, which is 45 per cent owned by the government, admitted it invested 752m pesos ($17.9m) in the airline when it was privatised in 1992 but said "the bank has made valuation adjustments to this investment and has marked this down to 350m pesos in its books".

PAL said on Tuesday it lost more than 2bn pesos as a result of the pilots' strike which began on June 5, on top of the $200m net loss it suffered in the year ending March 1998. It said its total debt was $1.96bn.

PAL said it was "now in danger of being unable to service its maturing obligations". Officials hinted it might apply to the Securities and Exchange Commission for a debt moratorium while it sought debt restructuring.

ABN Amro Asia, the securities company, said PNB had an equity exposure in PAL of 752m pesos through its investment in PR Holdings, which owns 67 per cent of PAL.

Another local bank, Philippine International and Commercial Bank, has a $5m loan. Allied Bank – owned by Lucio Tan, PAL chairman – arranged $182m in financing, with Securities Bank as lead manager. Other local participants in the syndicate are China Banking, Union Bank and Equitable Banking Corp.

"All up, we estimate that PAL's total outstanding debt stood at $1.5bn as of December 1997," ABN Amro said. International banks and credit agencies carried most of these loans, it added.

ABN Amro said all these agencies would be hit hard if PAL sought a debt restructuring. It noted that PAL issued $200m of floating rate notes in January 1997, which were wholly taken up by Korean banks.

The securities company said that by far the largest exposure was to European export credit agencies which supplied loans totalling $850m to cover the purchase of nine Airbus aircraft.

NEWS DIGEST

TRAVEL INDUSTRY

HIS Travel in hotel deal with Australian group

Two of the largest travel companies in the Asia-Pacific region yesterday announced a merger of their hotel divisions. HIS Travel, Japan's second largest travel operator, and Australia's Harvey World Travel said they had merged their hotel divisions to create a new company, Aurum Hotels and Resorts.

The new company would operate and manage properties in Harvey World Travel's Escape Resorts group and HIS Travel's Watermark Hotel Group, said Peter Nair, Aurum's newly appointed managing director and former regional head of the Watermark hotel group. Initially, the new company would take over management rights for Watermark hotels in the Cairns and Gold Coast resort areas of Queensland, Australia, and Escape's three properties in the Blue Mountains, north of Sydney.

The two companies planned a large-scale expansion of their new operation, with about 2,000 additional rooms in Australia and the Asia-Pacific region to come under the Aurum name in the next 18 months, Mr Nair said. Projects under development include hotels in Fiji, China, New Zealand and Vanuatu, as well as in other resorts in Australia.

The venture would exploit synergies between the groups, which offer hotel management expertise as well as service and support, he added.

Harvey operates about 400 offices throughout Australia and about 30 in New Zealand, while HIS Travel has about 180 offices in 15 countries and handles more than 1.6m travellers a year. HIS Travel, which has moved aggressively to take advantage of deregulation in Japan's travel industry, will soon launch a Japanese domestic airline service.
Gwen Robinson, Sydney

FINANCIAL SERVICES

Interest in Crédit Lyonnais arm

Crédit Lyonnais, the French bank which is preparing for privatisation, has received preliminary approaches concerning the sale of its Australian operation, Bernard Mignucci, chief executive for Asia, said yesterday.

The planned sale is part of a global asset divestment programme that follows an agreement on state aid with the European Commission. The proposed disposal is the main change to the group's Asian operations following the accord.

"I have already received telephone calls of potential interest," said Mr Mignucci, who added that advisers for the sale would be appointed within the next few weeks.

The Australian operation, which specialises in project finance and structured finance, is a 100 per cent-owned subsidiary. It has assets of about US$1bn and last year reported profits of A$9m (US$5.3m).

Mr Mignucci said the group's regional strategy of focusing on large international corporations and maintaining its product line remained unchanged as a result of the reorganisation and the regional financial crisis.

He said the group's reorganisation would have no impact on its Tokyo, Hong Kong and Singapore operations, its biggest centres in the region. The group's 85 per cent shareholding in Crédit Lyonnais Securities Asia, the investment bank, would also be unaffected.

Crédit Lyonnais has assets worth about US$10bn in Asia, with Japan and Korea its largest markets for loans. This represents about 5 per cent of total group loans. "We are cautious, but we don't have a policy globally to reduce [loans]," said the bank's Asia chief. **John Ridding, Hong Kong**

ELECTRONICS

Samsung plans assets sell-off

Samsung Electronics of South Korea said it planned to sell assets valued at Won1,000bn ($715m), including property holdings, to ease its financial strain stemming from sluggish demand in the semiconductor industry and South Korea's economic downturn.

"It is true that semiconductor companies are faced with difficulties nowadays amid falling chip prices," Samsung Electronics said. "The funds will be used mainly for our working capital." Of the total amount, Samsung Electronics plans to sell off assets valued at between Won400bn and Won500bn this year. **AP-DJ, Seoul**

NEWS DIGEST

INSURANCE

Deutsche Bank stake in Gerling to fall after float

Deutsche Bank, Germany's biggest, plans to cut its 30 per cent stake in Gerling through a partial flotation of the industrial risks insurer. The bank has for several months been considering how to restructure its domestic insurance interests, which include minority shares of Gerling and Numberger Beteiligungs.

Rolf Gerling, son of the late Hans Gerling, the insurance entrepreneur, owns 70 per cent of the insurer and will retain a majority stake. Deutsche Bank will review the size of its interest when the flotation takes place, but said it would continue a long-standing relationship with Gerling. Analysts said cross-selling opportunities between the two were limited and the placing offered a sensible way out for Deutsche Bank.

Nearly half of Gerling's DM11.8bn ($6.6bn) premium income in 1996 was derived from commercial insurance for large and medium-sized companies, with business outside Germany accounting for 35 per cent of revenue. Analysts expect between 15 per cent and 30 per cent of the company to be floated. **Christopher Adams, Insurance Correspondent**

BANKING

DG Bank advances 22%

DG Bank, the umbrella bank for the German co-operative banking network, lifted operating profits before risk provisions 22 per cent in the first four months of this year, to DM475m ($264m). Bernd Thiemann, chairman, said profits for the full year should grow at least 10 per cent.

Net commission income was 31 per cent higher at DM172m, reflecting strong securities broking business. Net interest income increased 5.5 per cent to DM1.2bn. Profits on own-account financial trading rose 84 per cent to DM91m as a result of buoyant capital markets. Costs moved up 7 per cent to DM984m, but the cost/income ratio eased from 71.2 per cent to 68.6 per cent.

Mr Thiemann said the bank's success could not be taken for granted, however, and called for a "radical change of perspective" in the co-operative banking movement. He said internal rivalry between retail banks or at the wholesale level made no sense in the long term. DG Bank was willing to discuss changes among partners in the co-operative banking system. "Anyone who wants to conquer the markets of the future cannot stay locked into the defensive territorial thinking of the past." **Andrew Fisher, Frankfurt**

RETAILING

H&M beats forecasts

Shares in Hennes & Mauritz rose more than 5 per cent yesterday after the Swedish fashion retailer reported higher than expected first-half profits. The group, which opened 32 new stores in the first six months of the year, saw pre-tax profits increase 35 per cent to SKr1.36bn ($169m), on sales ahead from SKr10.2bn to SKr12.1bn.

H&M's most commonly traded B shares rose SKr25 to SKr477, in spite of a warning that demand in its markets was growing only weakly in the current year. Operating profits, nevertheless, rose from SKr968m to SKr1.29bn, while financial investments contributed SKr67.4m compared with SKr45.5m last time. The company said its foray into France had proved a success, with sales in its three Paris stores exceeding expectations. It also opened 13 new stores in Germany, its largest market with 136 outlets. Overall, overseas sales accounted for 81 per cent of the total, up 3 percentage points on the first half of 1997. Earnings per share rose from SKr3.16 to SKr4.26. **Tim Burt, Stockholm**

POWER

Endesa sells Unión Fenosa stake

Endesa, Spain's biggest power group, is to receive Pta40.9bn ($268m) for its minority stake in Unión Fenosa, the country's third largest electricity supplier, which it is obliged to sell under deregulation plans for the sector. It said yesterday it had agreed a price of Pta1,875 a share – above the previous day's Madrid market close of Pta1,810 – for the 7.2 per cent shareholding, being taken up by three banks.

The deal follows the full privatisation of Endesa earlier this month through a Pta1,150bn share offering. BCH, the banking group, will consolidate its position as the main shareholder of Unión Fenosa, raising its holding to about 13.5 per cent through the purchase of half of Endesa's stake. BCH also holds 3 per cent of Endesa, with which it has a strategic alliance focusing on the telecommunications and gas sectors. The remainder of the Unión Fenosa shares are to be bought by Banco Pastor and Caixa Galicia. Endesa said the deal would generate a Pta12.6bn capital gain. It recently registered a Pta13.5bn gain from the sale of a 0.5 per cent stake in Germany's RWE. **David White, Madrid**

SWEDEN

SKr450m gain for S-E Banken

Skandinaviska Enskilda Banken, the Swedish bank, said yesterday it had made a SKr450m ($56m) capital gain on the disposal of its industrial and marine insurance business, which it inherited last year following its merger with Trygg-Hansa, the Swedish insurer. The business, representing about one-third of Trygg-Hansa's non-life insurance operations, made operating profits of SKr140m last year on premium income of SKr1.37bn. Zurich insurance group, which has bought the business, said the deal would strengthen its position in Scandinavia and the Baltic states. **Tim Burt**

PORTUGAL

Atlântico plans rights issue

Atlântico, one of Portugal's biggest retail banks, is to increase its capital by Es45bn ($245m) through a rights issue of 16.1m shares at Es2,800 a share. The issue, planned for the end of the year, will be at a substantial discount to a Es150bn global offering of up to 29 per cent of the bank's capital in July, which Lisbon dealers are expecting to be priced at about Es5,000 a share. Analysts said the announcement of the issue would help attract investors to next month's offering, which will reduce the holding of Banco Comercial Português, Portugal's second biggest financial group, in Atlântico from 96 per cent to a minimum of 67 per cent. The rights issue means the capital increase will now be spread among shareholders rather than wholly subscribed by BCP. **Peter Wise, Lisbon**

A rare glimpse into the misty world of Swiss banking

The sale of Banca della Svizzera will be a test of the enduring popularity of Switzerland to wealthy investors, writes **William Hall**

Private banking can be very lucrative, judging by the recent results of the big three Swiss banks. But evaluating the worth of private banks is difficult because they rarely come up for sale, and those that do generally change hands behind a cloud of secrecy.

But the mist is about to be lifted with the disposal of Banca della Svizzera Italiana, Lugano's oldest bank. Its sale, a condition for the merger of Swiss Bank Corporation (BSI's owner) and UBS, offers a rare insight into the intimate world of Swiss private banking.

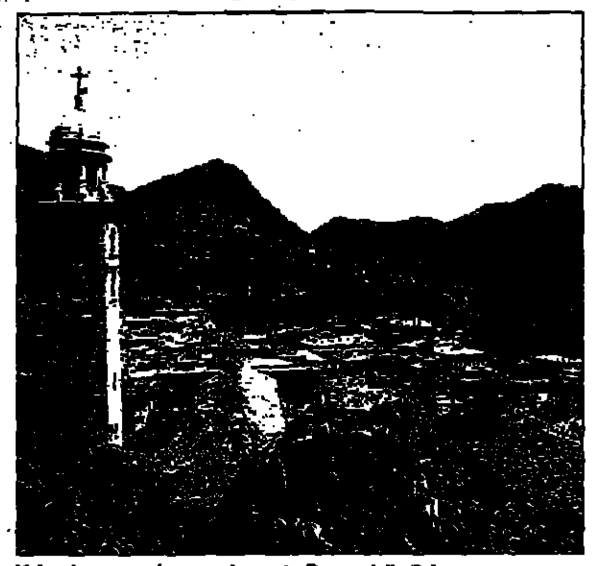
BSI's owner, which seems more interested in preserving secrecy than in maximising shareholder value, refuses to name the interested parties. But Generali, Italy's biggest insurer, and Germany's Deutsche Bank have confirmed their interest. Other banks, including the Dutch Rabobank, France's Banque Nationale de Paris and Merrill Lynch, the biggest Wall street broker, are understood to have run their eye over BSI.

BSI has assets of SFr5.9bn ($3.9bn) and outposts in the watering holes of the world's seriously rich, such as St Moritz, Chiasso, Nassau and Monte Carlo. It earned SFr99m on equity of SFr290m in 1997; in these terms it is 50 per cent more profitable than Lugano's other rumoured takeover candidate, Banca del Gottardo, which was bought by Japan's Sumitomo Bank in 1984.

The main sales pitch for BSI is its attractiveness to an international bank wanting a foothold in the Swiss private banking market and a springboard into the neighbouring northern Italian market. But many of BSI's Italian customers use it because they believe the Swiss have a greater respect for secrecy than their own compatriots.

An Italian takeover could prompt an exodus of clients who park their money in Lugano to keep it out of the reach of the Italian tax authorities.

The BSI sale will also be a test of the level of foreign interest in Switzerland as a private banking market. Many of the country's advantages, such as low inflation, political stability and a strong currency, are no longer special. Nor are its legendary bank secrecy laws as watertight as they were, and most analysts expect onshore private banking markets to grow more quickly than offshore centres like Switzerland.



Vale of secrecy: Lugano, home to Banca della Svizzera.

Switzerland's desire to spruce up its international image is likely to reduce the roll-call of potential bidders. The days when Swiss banks changed hands without any questions asked are over. BSI's new owner will need to have a respectable pedigree if it wants the nod from the Swiss banking commission.

John Leonard, Salomon Brothers' bank analyst, believes BSI should be a "fairly marketable asset", fetching SFr1.5bn–SFr2bn.

But it would be hard to describe BSI as the crown jewel in SBC's private banking empire. Until a few years ago, it was a commercial and retail bank which did some private banking. Over the past decade, various banks, including New York's Irving Trust and Japan's Taiyo Kobe, have had an interest in it. It was also controlled briefly by a New York property developer.

SBC bought control in 1991, and began folding in its four private banks – Zurich's Adler & Co, Basle's Bank Ehinger, Berne's Armand von Ernst and Geneva's Ferrier Lullin & Cie. The intention was to form a dedicated private banking unit.

This took longer than expected, and it was not until mid-1996 that BSI's retail and commercial clients were transferred to SBC, leaving the former free to concentrate on its primary mission. BSI lost money in 1996 and at the start of 1997 SBC reorganised its private banking operations once again and made SBC Private Banking, rather than BSI, its main vehicle.

SBC is stripping out the four small banks inside BSI which together earned SFr62.5m in 1997 and are roughly three times as profitable as BSI in terms of return on assets. Zurich's Bank Adler has been sold to management and the new UBS will keep the others.

So who will be the lucky winner? Liechtenstein Global Trust, which has just sold its fund management arm for more than $1bn, says it is not interested. Geneva's private banks, such as Pictet or Lombard Odier, probably could not afford to buy BSI. Meanwhile, the fact that BSI is based in Lugano, rather than Geneva or Zurich, could limit foreign interest.

Edgar de Picciotto's UBP or Edmond Safra's Republic National Bank of New York (Suisse) would be obvious domestic bidders. Both have built up large Geneva-based private banks from scratch. But they are in their late 60s, may not have the appetite to take on a challenge like BSI, and may be unwilling to get into an auction with the likes of Deutsche Bank and Generali.

However, if the two non-Swiss front-runners were to pull out of the race, BSI's resale value could drop to a level which might be an embarrassing reminder that SBC's past takeover record is not as hot as it is sometimes cracked up to be.

US EXCHANGES SEATHOLDERS SET TO DECIDE FATE OF PROPOSED MERGER WITH NASD

Boost for backers of Amex deal

By John Labate in New York

For three months the American Stock Exchange (Amex) and the National Association of Securities Dealers (Nasd) have negotiated, undertaken road shows and suffered shareholder disputes in their attempt to seal a merger of the second and third largest US trading systems.

Next Thursday, the 864 seatholders of Amex will have the final say on whether to accept or reject the merger in a vote that requires approval of two-thirds of its members.

Supporters of the merger received a boost last week when the board of the Philadelphia Stock Exchange agreed in principle to merge with the Amex and the Nasd.

The main attraction of Philadelphia is its stake in the options business, a trade that has meant much to the Amex's own turnround.

The combined options holdings of the Amex and the Philadelphia Exchange would account for some 34 per cent of the US options trade, second to the Chicago Board Options Exchange.

The campaign to block the deal suffered a blow this week when Paul Liang, one of the most vociferous opponents of the deal, sold his 11 regular Amex seats and seven options trading seats – in effect, taking out his votes just prior to the vote.

Mr Liang, who is concerned that his investment may be diluted by the merger, has sold his regular seats, which allow options and equity trading, for $400,000 apiece, while the options seats were sold for $390,000 each.

Ironically, Mr Liang may not stray far from a newly combined Nasd and Amex entity.

"I am considering buying Philadelphia Stock Exchange seats," said Mr Liang, who believes the proposed merger could still fail. "They should generate more income in the next 12 years."

Another opponent of the merger is concerned that the move would undermine floor trading.

"Members of the American Stock Exchange will lose ownership control of the exchange, over such things as trading fees and other costs of operation," said Steve Fossett, chairman of Lakota Trading, a Chicago-based options market-making firm that controls 15 seats on the Amex. But in spite of his concerns, Mr Fossett believes the merger will be approved in next week's vote.

Others also expect the seat members will approve the deal.

"A lot of people who were against it have changed their minds as a result of the roadshows," said Stuart Alpert, chairman of the Amex Floor Brokers Association and an independent floor broker.

US options exchanges look to their future

The rapid growth of the sector has sparked a move towards consolidation, report **John Labate and Nikki Tait**

Last week's merger in principle between the Philadelphia and American Stock Exchanges and the National Association of Securities Dealers – Nasd – underscores the growing importance of the market in options, the high-risk and high-reward contracts to buy and sell stocks, commodities and currencies.

If the strategy wins approval, the new exchange would combine a broad array of equity and options trading within a single operation.

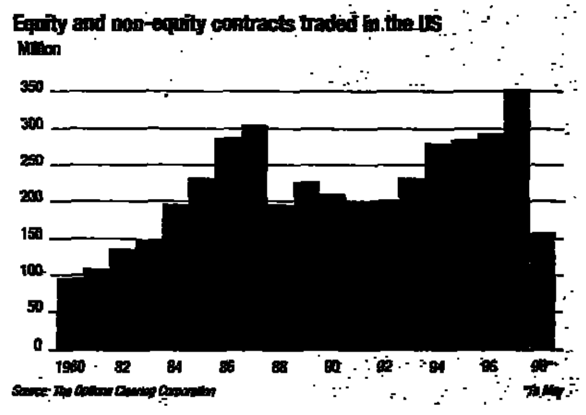
"The Nasd wanted to be in the options business, no doubt about it," says Michael Schwartz, chief of options strategy at CIBC Oppenheimer.

In recent years, the Philadelphia exchange has come under fire from traders as its technology fell behind its larger rivals.

But on Monday, Philadelphia moved to catch up as 60 traders and specialists in Dell Computer options, the most prized holding of the Philadelphia Exchange, moved temporarily to New York and to the Amex trading floor while technology upgrades were made.

The hope is that the combination of Amex-level technology with the Philly options business will expand the overall trading volume.

Equity and non-equity contracts traded in the US



Source: The Options Clearing Corporation *To May

"This was really the only feasible way for them to catch up in a short period of time," says Kevin Murphy, managing director of retail options at Salomon Smith Barney.

The benefit of bringing a smaller exchange under the wing of a larger and more technologically sophisticated institution has been demonstrated over the past 12 months with incorporation of the New Stock Exchange's options floor into the Chicago Board Options Exchange.

Average daily options volume at the New York exchange stood at 14,453 contracts in the 16 months leading up to the move. Between April 1997 and the end of May this year, the figure has averaged 26,593. A seat on the old options exchange was last traded at about $10,000: permits to trade former New York contracts at the CBOE have been trading at upwards of $130,000.

In part, the change can be put down to the industry's growth on the back of a surging stock market. But the greater technological edge and operational efficiency has also played a significant role.

In the 25 years since listed option trading began on the CBOE, the daily volume in options has made dramatic, if choppy, strides, catching on with institutional as well as retail investors.

Options trading fell back sharply in the wake of the stock market collapse in 1987. Several years of unsteady growth followed, and the record volume of 1987 was not surpassed until last year.

Options trading now takes place on four US exchanges, some of which compete against one another with multiple listings available on more than one exchange. The CBOE remains the leader, with 51 per cent of option volume, followed by the Amex with 24 per cent, the Pacific Stock Exchange with 15 per cent, and Philadelphia 10 per cent.

Under its agreement to merge with the Amex and the Nasd, Philadelphia will retain its trading floor for up to five years. Its options trading will then likely be consolidated into that of the Amex.

Growth in its highly lucrative options business was key to the turnround at the Amex. Today, its trade in options accounts for about one-third of the Amex's profits, and two-thirds of the traders' profits.

One question which hangs over the industry, however, is how much further consolidation will – or can – go.

There has already been talk that a merged Amex/Nasdaq/Philadelphia will put more competitive pressure on the CBOE and increase the possibility that it will try to acquire the San Francisco-based Pacific Stock Exchange.

Another concern is how much this industry – and other derivatives markets – will need to adapt its technology.

At the CBOE, for example, while about 80 per cent of orders currently flow into the exchange electronically, execution is handled through the traditional open-outcry system.

The exchange is already examining the possibility of offering screen-based trading of index products after-hours, and/or of trading less liquid products electronically during the trading day.

CBOT, CME agree on 'cross-margining'

By Nikki Tait in Chicago

The Chicago Board of Trade and the Chicago Mercantile Exchange, the two big Chicago futures exchanges which have traditionally been fierce rivals, have for the first time reached agreement on "cross-margining" of interest-rate related products traded on their respective exchanges.

Traders or customers with positions on both exchanges will be able to offset the margin they are required to post at, say, the CME against that required by the CBOT, when the positions taken together indicate an overall reduction in risk.

The measure, which requires regulatory approval, will cover the eurodollar contract at the CME and the US Treasury contracts at the CBOT. The two exchanges have also formed a joint committee to look at extending cross-margining to agricultural and equity index contracts.

The move comes amid pressure on the exchanges from their members to reduce trading costs. That pressure has intensified as the threat from electronic trading systems has increased and the over-the-counter derivatives market has grown.

Some traders and firms – many of which are active in both markets – have urged the exchanges to put aside their rivalry and look at ways in which co-operation might serve members' interests.

In recognition of this, the CME and CBOT agreed in principle to set up a "common clearing" system earlier this year, so that important back-office functions are handled by one organisation. Cross-margining was seen as a significant element in this. However, a common clearing mechanism is unlikely to be in operation before 1999, and the CME said yesterday that a decision had been made to press ahead with this more quickly. The current cross-margining proposal will not be dependent on the common clearing scheme.

Details of the "common clearing" proposal are being finalised by lawyers. Although it is unclear whether it will be signed by the heads of the exchanges by the June 19 deadline, this is expected within a few days. The CBOT said it expected the proposal to go a special board meeting on July 8. After that, the proposal will be put to members within 90 days.

INTERNET APPROACH BY TELECOMS GROUP GETS COOL RECEPTION

AOL shares leap as group rebuffs AT&T

By William Lewis and Richard Waters in New York and Louise Kehoe in San Francisco

Shares of America Online leapt almost 6 per cent in early trading on Wall Street yesterday after it emerged that the world's leading online service had rebuffed a takeover approach from AT&T, the largest telecoms company in the US.

As reported in the Financial Times yesterday, AT&T approached AOL several weeks ago with a tentative offer.

One person close to the talks said that the approach had valued the online services company at $32bn-$33bn, compared with AOL's current market capitalisation of more than $20bn.

At lunchtime in New York, AOL shares were trading $5¼ higher at $94, a rise of 5.92 per cent.

The share prices of other internet stocks were also up on speculation that they may consider linking with telecoms groups. Yahoo! was up $7 11/16, or 6.48 per cent, at $129¾, and Excite was up $5, or 7.4 per cent, at $72 5/16. AT&T's shares were up $11/16 at $62¾.

Neither AOL nor AT&T would comment yesterday. However, AOL's top executives are understood to have informed AT&T several days ago that they did not want to sell the company.

People close to the talks suggested that discussions could be restarted and said they felt that Robert Pittman, AOL chief operating officer, was keen to complete a deal. Steve Case, AOL chief executive officer, is known to be against.

With some 12m subscribers, AOL is the world's largest online service and internet access provider. AT&T's apparent willingness to pay a significant premium to catapult itself to the forefront of online services and electronic commerce reflects the growing importance of the internet to telecommunications carriers. More than half of the traffic on North American telephone networks is internet data.

Under Michael Armstrong, its new chairman, AT&T has embarked on an ambitious path to extend its reach into new, faster-growing markets to add to its core long-distance business.

The acquisition of AOL, while greatly diluting the company's earnings per share, would give it a leading position in the most dynamic part of the communications industry, Wall Street analysts said.

With its large and fast growing subscriber base, AOL dominates the North American consumer market for internet access and has a significant presence in international markets. AT&T's internet access service, WorldNet, is far smaller, with 1.1m subscribers.

AOL has been particularly successful in creating online "communities", or special interest groups, which are widely seen as the key to boosting electronic commerce. Groups with sports interests, for example, are a magnet for sportswear advertisers.

The online service is also in the forefront of a rapidly growing trend toward the creation of internet "portals" or "supersites" – web sites with a broad content and services. These sites, which include Yahoo! and Excite as well as AOL, garner the lion's share of internet advertising revenues.

Portals can also charge high fees to retailers and online publishers for "space" on their web sites. In the most recent deal of this sort, The Fragrance Center, an online cosmetics retailer, will pay AOL $12m over four years, plus a share of revenues, in return for prominent display on AOL's site.

With electronic commerce predicted to grow to $80bn by 2000, up from about $20bn last year, internet portal sites are attracting intense interest from investors. This month, NBC purchased a 19 per cent stake in Snap, a portal site operated by Cnet, for an undisclosed sum. The deal also gave NBC an option to buy up to 60 per cent of Snap for $38m.

Internet access providers are also forming partnerships with portal sites. AT&T recently signed deals with Lycos, Excite and Infoseek. In March, MCI Communications joined with Yahoo! to provide an online service.

See Lex

Agco expresses interest in acquiring Claas

By Peter Marsh

Agco of the US, one of the world's big four agricultural machinery makers, said yesterday it was interested in buying Claas, Europe's biggest producer of combine harvesters, as part of an expansion drive.

The privately owned Claas, based in Germany, is one of the continent's biggest farm machine makers, with sales last year of DM1.9bn ($1.06bn), on which it showed a pre-tax profit of DM134.7m.

Agco said its interest in Claas was part of a $600m acquisition plan aimed at lifting its $3.2bn sales last year by 50 per cent in the next two years. Claas yesterday restated that it was not for sale.

The company is owned by descendants of the farmer's son who started the business in 1913. Robert Ratliff, Agco chairman and chief executive, said at a press conference in London that ultimately "economic realities" would force Claas to join up with a bigger company capable of growing globally.

The statement of interest by Agco, which has expanded through more than $1bn of acquisitions since starting in 1990, amounts to a shot across the bows of Caterpillar, the world's biggest maker of construction machines. Many analysts have assumed that Caterpillar is readying itself to be first in line to take over Claas, should the family decide to sell.

Caterpillar, which had sales last year of nearly $19bn, is building with Claas a $100m plant in the US which will turn out combine harvesters to Claas's designs.

This is aimed at giving both companies a bigger share of the US combine market – a field currently dominated by Deere and Case, both US-owned and two big world participants in farm equipment.

In a further swipe at Caterpillar, Mr Ratliff said its joint venture with Claas was unlikely to succeed because of the "low attractiveness" of Claas's equipment to US farmers.

However, Mr Ratliff said Claas would fit well with Agco because of its strong position in Europe, from where it gains half its revenues and is keen to expand.

Agco's tractor brands include Massey Ferguson, the Canadian tractor company bought in 1994 for $329m.

Last year it purchased Fendt, Germany's biggest tractor maker, for $283m.

Robert Ratliff: Agco chief sees Claas as good fit — Colin Beere

BankBoston outlines strategy

By John Authers in New York

BankBoston, the US commercial bank, intends to use its $400m acquisition of the Robertson Stephens investment bank from BankAmerica to establish a corporate "one-stop shop" for medium-sized companies, and to help build its international investment banking operations.

Similar mergers by US commercial banks in the past year, following a relaxation of rules by the Federal Reserve, have all been aimed at the domestic market. NationsBank, of Charlotte, bought Montgomery Securities; First Union acquired Wheat First Butcher Singer; and US Bancorp bought Piper Jaffray.

Speaking to the Financial Times, Henrique Campos de Meirelles, BankBoston president, said the bank had noted increasing demand from corporate customers to access the capital markets in new ways, such as high-yield debt and loan securitisation.

It had already built a fixed income securities business, but did not think it realistic to build equity capabilities which were also in demand, including initial public offerings, mergers and acquisitions advice, and research.

He said BankBoston had not made a move to buy Robertson Stephens last year, when it was acquired by BankAmerica, because it was not offered.

The company hopes in the longer term to use Robertson Stephens' equity capabilities to help its planned expansion into Asia.

Mr Meirelles said: "We are building initially in Asia through our fixed income group, and we hired a group from Peregrine in Singapore. These people are beginning to build our distribution group in Asia and also our origination group."

Initially, this will mean high-yield US debt originated by the US customer base and bonds issued by its customers in emerging markets. It also wants to add the equity capabilities brought to it by Robertson Stephens.

Mr Meirelles said: "As opposed to Citibank we aren't going all over the world doing everything. We have a very focused capital markets operation in Asia, which is an extension of our investment bank in Boston and Latin America."

PROPERTY MERGER WOULD CREATE WORLD'S LARGEST PROPERTY ADVISORY COMPANY

LaSalle in talks with Jones Lang

By Norma Cohen

LaSalle Partners, one of the US's largest property advisory companies, said last night it was in talks with UK-based Jones Lang Wootton about a merger which would create the world's largest property advisory company.

The move comes amid an accelerating pace of cross-border mergers of firms advising on the investment in and management of real estate to meet the demands of increasingly international occupiers and investors.

LaSalle made the statement after heavy trading in its shares on the New York Stock Exchange in recent days.

The company has a market capitalisation of $725m and revenues last year were $225m, up 41 per cent on 1996. Net earnings rose $5.9m to $25.8m.

JLW partners had been deeply divided over an internal proposal to seek a stock market listing of the firm in order to raise additional capital for expansion.

In addition to needing capital for expansion, JLW is considering whether to become a co-investor in properties alongside its clients, a move which US investors are increasingly demanding of those advising them on real estate deals.

JLW, organised as a partnership, has 84 offices in 33 countries, with more than 4,000 staff. Although it has established a presence in the key US market, where many multinational tenants and investors are based, it has not been able to build a critical mass of business there. The company had gross revenues of £282m in 1997.

LaSalle, with more than 1,400 staff, is a market leader in the US but has a minimal presence elsewhere at a time when its US clients are increasingly seeking both property services and investment opportunities overseas.

Two years ago it acquired the property investment arm of CIN, the fund management division of the British Coal pension fund. LaSalle said that a merger would be through a stock transaction, although it was not certain any deal would be concluded.

Separately, LaSalle is in talks to acquire Compass Management and Leasing, the Atlanta-based real estate management services arm of Australia-based Lend Lease for cash. Also, LaSalle is negotiating to acquire Lend Lease's US retail property management business.

Premier and Shell link in Pakistan

By Robert Corzine

Premier Oil, the UK-based explorer, and Royal Dutch/Shell are to pool their onshore exploration and production interests in Pakistan as part of a wide-ranging agreement to build a large natural gas business there.

Premier will have a 50.1 per cent stake in the venture, which has been valued at $390m. Premier will be its operator, although Shell will provide financial and commercial managers.

Shell will include its share of the Bhit field, a large gas discovery made last year by Lasmo. All Premier's onshore assets in Pakistan are included, except for its 100 per cent interest in the Kandra exploration licence. Shell will pay the first $60m of the venture's expenditure because of an imbalance in the value of the two companies' assets.

The venture will be especially strong in the hilly "fold-belt" area in southern Pakistan, where several big discoveries have been made.

Charles Jamieson, Premier's chief executive, said the deal had provisions for possible midstream and downstream joint developments such as power generation.

BNFL set to buy Westinghouse

State-owned group in consortium, including Morrison Knudsen of US

By Virginia Marsh

A consortium involving British Nuclear Fuels, the state-owned nuclear fuel and waste processor, is poised to agree the purchase of the Westinghouse nuclear businesses and may announce a deal as early as tomorrow or Monday.

The consortium, which also includes Morrison Knudsen, a US engineering group, was one of three groups that bid for the businesses late last month. It is in exclusive negotiations with CBS Corporation, the former Westinghouse Electric which is selling its remaining industrial businesses after transforming itself into a media group.

The deal could be worth $1bn-$1.5bn, including liabilities.

The move would give BNFL the technology behind a third of the world's nuclear plants. The business also comprises a smaller government services division whose activities include servicing nuclear weapons.

"This is potentially a very exciting deal for BNFL. Nuclear plant clean-up is going to be a huge business in the coming years," said Peter Atherton of Dresdner Kleinwort Benson. "At the least, it eliminates Westinghouse as a competitor."

Analysts said the US market also represented a valuable diversification away from BNFL's controversial fuel reprocessing business in the UK. It runs the Thorp reprocessing plant at Sellafield, and is in the process of merging with Magnox Electric, which operates six ageing UK nuclear plants.

It is believed the other bidders for the Westinghouse assets were a group including Framatome and Cogema, the French state-run companies, and a US consortium.

BNFL and Idaho-based Morrison Knudsen already work together in the US on government contracts to dispose of waste from atomic weapons production. BNFL's US operations account for a large part of sales from international activities which last year contributed £501m ($817m) or 32 per cent of group sales.

CBS, whose operations include its television network and radio stations, has said it would like to sell the Westinghouse businesses by the middle of this year. Last month, it agreed to sell its Westinghouse Process Control Division to Emerson Electric for $265m. Emerson will provide Westinghouse's nuclear power business with technology, hardware, spare parts and services in an exclusive supply agreement.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
AIT	Yr to Mar 31	13.6	(11.2)	2.16	(1.55)	7.17†	(5.36)	1.34	Aug 17	-	2	-
Amber Ind	Yr to Mar 31	23.2	(23.1)	1.64♠	(3.03)	1.6	(11)	4	Aug 3	4	5.75	5.75
Assoc Brit Engnrg	Yr to Mar 31	34.5	(37.1)	0.359	(1.29)	0.07	(0.41)	nil	-	nil	nil	nil
Bradford Property	Yr to Apr 5	71.8	(59.4)	32.2	(29.1)	15.05	(13.26)	5	Aug 8	4.65	9.1	8.45
CLM Insurance	Yr to Dec 31	127.2#	(145.9#)	19.2	(15.7)	15.31	(12.6)	10	Aug 3	8.08	12.89	10.78
Cohen (A)	Yr to Dec 31	81.7	(84.2)	1.6L	(2.63L)	119L	(142.5L)	nil	-	nil	nil	nil
Courts	Yr to Mar 31	484.1	(424.4)	32.3	(29.5♥)	26.8	(26.26)	3.45*	Oct 9	2.75	4.5	3.75
General Cable	3 mths to Mar 31	32	(22.5)	12.2L	(11.9L)	3.2L	(3.2L)	-	-	-	-	-
La Senza Φ	Yr to Jan 31	26.7	(18)	3.6L	(1.49L)	10.7L†	(5.9L)	-	-	-	-	-
Lovell (YJ)	6 mths to Mar 31	123.6	(107.7)	0.503♥	(1.54L)	1†	(5.4L)	nil	-	nil	-	nil
LPA	6 mths to Mar 31	3.02	(2.74)	0.345	(0.285)	2.56	(2.21)	1.2	July 28	1.1	-	2.25
Nursing Home Φ	6 mths to Mar 31	9.54	(4.72)	2.8	(1.57)	4.09†	(3.22)	2‡	July 9	1.5	-	6.25
Phytopharm	6 mths to Feb 28	0.29	(0.09)	2.11L	(1.19L)	6.81L	(3.86L)	-	-	-	-	-
Porter Chadburn	Yr to Mar 27	76.9	(72.1)	5.31	(4.57)	3.48†	(3.15)	0.6	Aug 28	0.5	0.9	0.75
Proteus	Yr to Mar 31	0.178	(0.573)	4.13L	(3.82L)	7.44L†	(7.31L)	-	-	-	-	-
Rebus	Yr to Mar 31	87.7	(66.4)	8.39	(5.81♠)	5.74†	(4.61)	1.4	July 30	1.2	2.1	1.8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
New Zealand	6 mths to Apr 30	163.77	(237.75)	0.228	(0.307)	2.07	(2.79)	-	-	-	-	4.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. #Net premiums. ‡Second quarterly, making 3.85p (3p) so far. *Foreign income dividend.

Carlton in $264m offer for Nimbus

By Alice Rawsthorn

Carlton Communications, the UK media group, yesterday launched a $264m recommended tender offer for Nimbus CD International, the Nasdaq-quoted US disc manufacturer.

Owners of 44 per cent of Nimbus shares, including management, have agreed to accept Carlton's $11.50 a share cash offer. By early afternoon in New York Nimbus shares were up $$\frac{7}{16}$ to 11\frac{3}{16}$. Shares in Carlton eased 6p to close at 545p in London.

The acquisition will accelerate Carlton's efforts to strengthen the presence of its Technicolor subsidiary in the expanding market for digital versatile discs, billed as a successor to the video cassette and CD-Rom.

Technicolor began as a motion picture film processor, and diversified into video cassettes in the 1980s. It is now one of the world's largest manufacturers in both sectors.

Nimbus, based in Charlottesville, Virginia, has a substantial presence in CD-Rom production, and also manufactures audio-CDs, DVD-Videos and DVD-Roms.

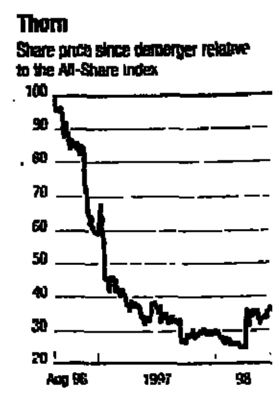
It made pre-tax profits of $21m in the year to March 31, when net assets were $66m, including net debt of $18m.

Carlton hopes to complete the acquisition by the end of next month. It expects cost savings principally in the sales and marketing areas.

COMMENT

Thorn

Not a bad second best for Thorn's abject shareholders. While many will regret the lack of a bid for the whole group – talks with an unknown suitor are ongoing – the sale of its US businesses to Renters Choice, absolving Thorn of long-standing legal liabilities, is still good news. At one times historic sales and nine times operating profits, the £545m ($894m) proceeds from the sale – much of which will be handed straight back to shareholders – has pushed the strategic review off to a flying start. But to maintain the momentum, Thorn must secure good prices for the remaining international businesses and manage the decline of the UK rump gracefully.



UK restaurants

Pierre Victoire went from cheap and cheerful to cheap and nasty, and now it's off to the receivers. Like many small companies, the Gallic bistro chain expanded too rapidly from an inadequate capital base. Without a firm grip on its over-franchised and poorly-sited restaurants, the centre failed to maintain standards throughout the chain. A steak-frites staple dish can have hardly helped draw crowds given mad cow phobia. But its 5-4-4 score in Harden's 1997 Guide to London Restaurants – where 1 is outstanding and 5 disappointing for food, service and atmosphere – tells the story of dire value for money.

While most of its problems were of its own making, Pierre Victoire's failure has implications for others in the fragmented restaurant sector such as Pizza Express and City Centre Restaurants. As the UK's café culture blooms and the non-home-consumed share of food spending rises from about 25 per cent now to the much higher US levels, the market's high growth potential will continue to entice new entrants. Hotter competition has already put pressure on property prices and staff (especially chef) availability, particularly as pub groups such as Scottish & Newcastle enter expansionist mode.

Furthermore, with economic growth projected to slow, a degree of consumer belt-tightening may occur. Some may stop eating out, but more will downgrade, benefiting sub-£20 a head operators. Well-organised chains that enjoy purchasing economies are the best placed to prosper. Pizza Express is one, but its shares are already highly valued.

NHP sets its sights on Spain

By Susanna Voyle

Nursing Home Properties, the specialist property company, is ready to begin a £35m ($57m) expansion into Spain.

Richard Ellert, chief executive, said yesterday that Spain was the most attractive of the continental European markets.

"At some stage our growth in the UK will slow down," he said. "And Europe is the obvious place to go. I see us as a European property company in the longer term."

NHP – which buys purpose-built care homes and leases them back to operators – has spent nine months investigating the Spanish market. Mr Ellert said there were 100,000 nursing-homes beds in Spain with a population of 44m – against 570,000 beds and a population of 56m in the UK. NHP also plans to look at France and Germany.

Mr Ellert said the company planned a £200m securitisation – NHP's second since it was formed at the start of 1995 – in September. Securitisation involves issuing bonds backed by an income stream.

GROWING BUSINESS DEFENCE OF THE HOME MARKET

When rivalry turns friends into foes

Peter Marsh looks at how Bruderer, the Swiss machine tool company, is fighting back against Japanese competition

Company divorces are painful enough without the former partners getting into bed with each other's friends.

This is the tale of two collaborators in the international machine tool industry who decided to go their separate ways, and the strains that then appeared. The battle shows the type of tactics deployed by rivals in niche businesses with global ambitions in this industry worth about $40bn a year.

For 13 years, Bruderer of Switzerland and Aida Engineering of Japan, both leaders in high-speed press machines for industries such as electronics, got on well. Aida made machines under licence for Bruderer in the fast-growing south-east Asian market, with Bruderer's name on the finished product.

The agreement ended, amicably enough, in 1995. The privately owned Swiss company decided to take full control of its operations in the region, selling machines made in its own plants in Switzerland and the US.

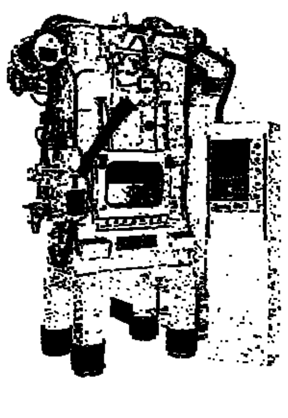
At about the same time, Aida decided to expand in Bruderer's "home" territory of Europe – where the Swiss company has some 60 per cent of the market – through the takeover of a UK machine tool company.

Now that Aida is actively wooing Bruderer's European customers, Bruderer is feeling the heat. The Swiss company has responded with its own marketing drive in Japan and the rest of south-east Asia. It plans to upgrade its large installed base of Bruderer machines with new components.

Markus Bruderer, chairman and part-owner, says his new push in this part of the world is based not least on the need to distract Aida from its attempts to build strength in Europe. Mr Bruderer's brother Adrian is production director and also owns part of the company, while the other shareholder is the Bruderers' sister.

The niche both companies are competing in is high-speed presses, which stamp out tiny parts with micrometre accuracy at up to 1,500 a minute. Total global sales in this sector are estimated at $300m a year. The machines are electronically controlled and require very precise mechanical engineering skills, similar to those used to make high-performance diesel engines.

Only a few companies – including Yamadadobby of Japan, Minster of the US and Mabu of Germany – have the technology to make these machines. But they produce some of the essential components for goods such as mobile phones, cars and domestic appliances.


Automatic punching press

'I'm far more concerned about the Japanese [press machine makers] than the Germans. When the Japanese do something, they fight very tenaciously'

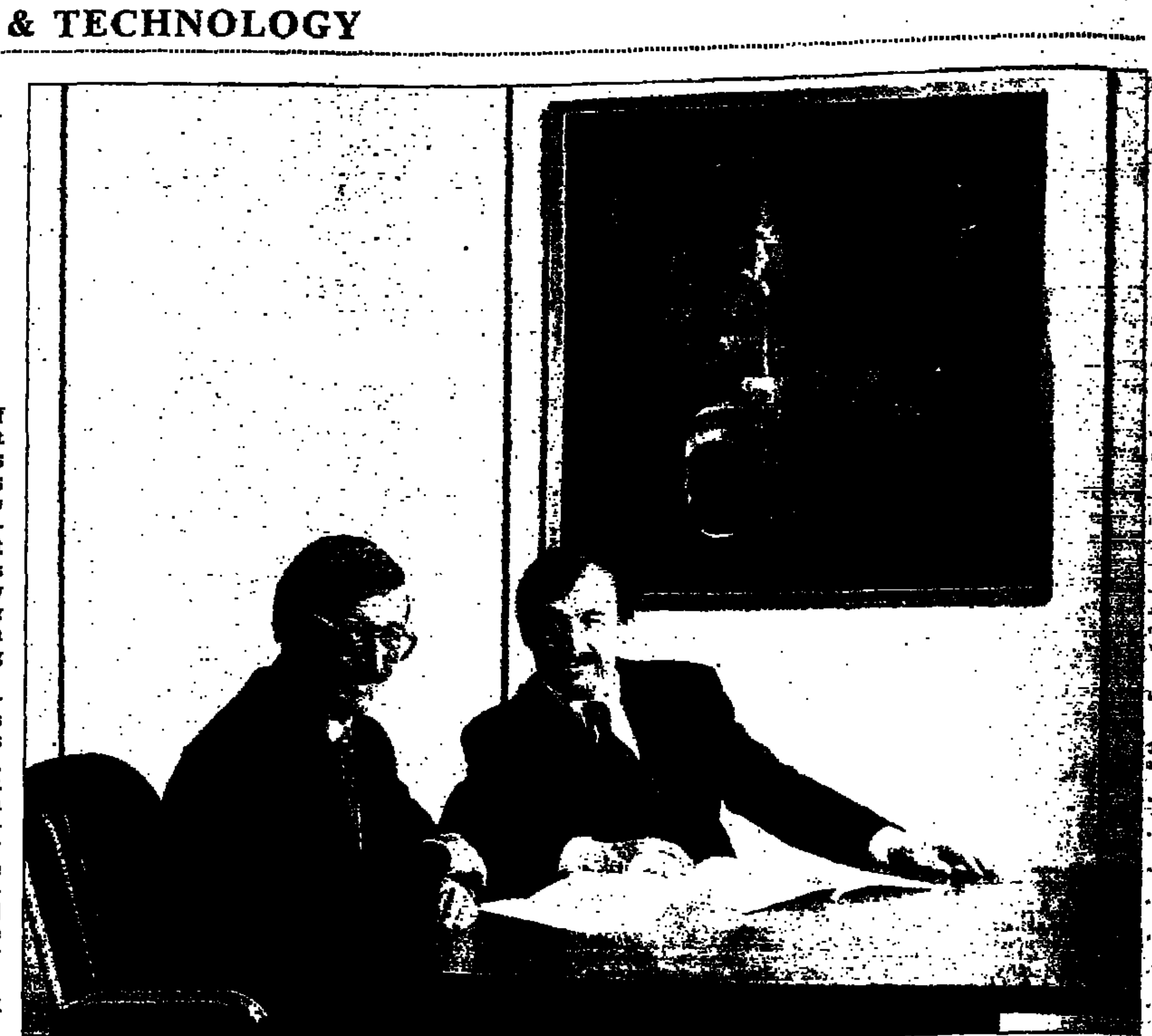
Markus Bruderer

In the small world of high-speed stamping, most suppliers know each other's strengths and weaknesses almost as well as they know their own. As a result, winning orders is as much about stopping your competitors getting a look in on a new contract – by undercutting on price or coming out with a better design – as finding out about a new contract.

Mr Bruderer, whose company was started by his father in 1943 and has annual sales of about $90m, explains that Aida's attempt to expand in Europe is a serious threat to the dominance of his own company in the region. "I am far more concerned about the Japanese [press machine makers] than the Germans. When the Japanese do something, they fight very tenaciously."

As for Aida, whose sales include other types of presses besides the high-speed variety for electronics parts, its revenues are roughly three times larger than those of its Swiss rival. Its size could make it a tough competitor to Bruderer in Europe.

Two years ago, the publicly quoted Aida embarked on its European expansion by buying Bliss, a UK-based machine tool maker. Bliss had previously been part of a bigger US group but had fallen on hard times and was in the hands of the receiver. However, Aida spotted that it would provide the basis for the company's first production effort in Europe. The Japanese company is now spending $5m on a new assembly plant at Derby in the UK and recruiting sales staff around the Continent. It has set its sights on doubling its annual sales in Europe to about $36m by early next decade, based on UK production and also imports from Japan.


Markus (left) and Adrian Bruderer: their attempt to stave off the Japanese challenge is based on using their knowledge of market trends

Bruderer's attempt to stave off the Japanese challenge in Europe is based on using its knowledge of market trends – such as how much suppliers will pay for a new machine to do a specific stamping job – to price its own machines lower than those of Aida. It will also step up its servicing operations to keep existing machines running smoothly. The latter is crucial as many customers require their presses – which can cost up to $500,000 – to run almost 24 hours a day.

In the Asia-Pacific region, Bruderer aims to increase its meagre 8 per cent share of the high-speed press market to about 15 per cent over the next few years. Bruderer has 2,000 of its own machines installed in the region, most of them built through the alliance with Aida. It plans to base a team of 40 engineers in the area, to persuade existing users of Bruderer machines to improve them with new parts or to buy a new system.

The parting from Aida means Bruderer has had to raise its game. "It is hard work, but we are gradually achieving our targets [in the region]," says Markus Bruderer. As for Europe, the company is putting more effort into research and development – particularly on software, which occupies seven of its 50-strong development group. "The Japanese are snapping at our heels, but we think they are still some way behind," says Markus Bruderer.

MANAGEMENT CHANGE AT C&J CLARK

Why one size does not fit all in US

Drastic reforms have revived the shoemaker's fortunes, says **William Lewis**

For generations of children forced by parents to dress sensibly for school the unthinkable is happening: Clarks shoes are cool.

The company's "Wallabees" are the chosen footwear for the Verve rock band on the cover of their latest album; Clarks desert boots, meanwhile, are worn by UK band Oasis.

There have been changes, too, for shareholders of the privately owned, UK-based C&J Clark, manufacturer and retailer of the shoes.

Under the leadership of Timothy Parker, appointed chief executive in 1995, and Roger Pedder, who became chairman in 1993, Clark has returned to financial health, taken a lead position in the UK shoe market and is now focused on achieving rapid international expansion.

Following factory closures and staff cuts announced in 1996, Clark reported pre-tax profits of £35m ($57.4m) for the year to January 31 1998, against losses of £409,000 the previous year – including the £30.4m cost of closing a number of factories. For years shareholders have been squabbling about whether Clark should remain a private company or float on the London Stock Exchange. Mr Parker and Mr Pedder are conducting a review which could lead, within two years, to the board recommending to shareholders that a flotation takes place.

Nowhere is the change at the company more evident than at Clark's North American operations, previously based in Philadephia and now headquartered in Boston, Massachusetts. Things had got so bad that Mr Parker wrote in Clark's annual report for the year ending January 31 1996 that the wholesale operation of Bostonian, the US shoe company it acquired in the early 1980s, had had "a disastrous year".

Mr Pedder added that "profits effectively collapsed" in the US due to "a combination of over-optimism, poor marketing and a failure to control the sales function". In the year to January 31 1996, the US operations achieved a trading profit of just £700,000 compared with £3.6m in the previous year.

'We were buying shoes from English factories and trying to sell them here'

Looking back, Mr Pedder says the problems were due in part to the management structure in the US. Clark had three US shoe businesses: Bostonian, Hanover and Clarks England. In the early 1980s, Bostonian was merged with Hanover, another shoe wholesale, retail and manufacturing operation. But Clarks England, the direct off-shoot of the UK business, was kept separate.

Bob Infantino, who had been managing the Clarks England retail, wholesale and manufacturing operations, was appointed at the end of 1995 to head a new grouping known as the Clarks Companies North America. Clarks England, Bostonian and Hanover now report directly to him.

A loss-making shoe factory in Pennsylvania has been shut, the company's headquarters moved to Boston and while the Bostonian and Clarks England brands continue to be marketed separately, some of the traditional features of Clarks shoes are being incorporated into the Bostonian shoe range, and vice versa. Several of the company's loss-making stores have been replaced by outlets with livelier interiors to appeal to a younger market. The shoes have been redesigned, with the US staff given the freedom to develop their versions of traditional Clarks shoes.

The company no longer focuses on exporting to the US shoes that were designed for the UK market. Clark North America's designs reflect the facts that shoes are worn more tightly in the US compared with Europe and that the average size is also larger. While Clark-owned stores and others are still selling traditional Clarks shoes, US sales are increasingly coming from ranges adapted to US tastes.

"We were an organisation buying shoes from English factories and trying to sell them here," Mr Infantino says.

The changes helped Clark North America achieve profits before exceptional items of £10.96m in the year to January 31 1998, more than doubling the figure of the year before. Sales, at £157.6m, were up by 14 per cent.

Unlike in the UK, where Clark is primarily a retail operation, the success achieved in the US has derived mainly from the rapid growth of Clarks and Bostonian wholesale businesses. Questions remain about the profitability of the US retail portfolio and there are plans to prune the number of Hanover stores, while increasing the number of Bostonian and Clark stores.

"I would like to see 60 per cent of sales overseas within five years," Mr Pedder says. With non-UK sales currently at 40 per cent of overall sales last year, that implies rapid growth both in the US and Clark's operations in east Asia and Australia. Mr Pedder describes the ambition as his "legacy" and wants to see a 50-50 split between UK and non-UK by 2000.

To achieve this, he says, Clark is moving to a more flexible structure, with a "loose holding company with a big UK base that is primarily a retailer, and a worldwide organisation based on wholesale marketing companies". He describes the linking features between the various regional companies as common ownership, a common brand and a common set of brand ethics.

"We want to be the number one branded casual footwear company in the world," Mr Pedder says. "It does not matter if the shoes look or feel different if the linkages are intact."

JOHN W. HUNT
ADVISES

Escape from the shock of the new

The perils of change could be reduced with the help of a simple checklist

Dear Professor Hunt,
I am a manager of a division of a big multinational. Over the past five years, I have attended three courses on managing change. I have not found them of great value in my day-to-day work. Complex theories are presented that have little or nothing to do with problems I face. Can you suggest a simple model or approach that anyone involved in managing change could use?

When it comes to change management there are so many propositions and techniques available that the whole change "market" can be intimidating. Here is an attempt to provide the simple model you are seeking.

There are two obvious areas of difficulty. First, conceptualising one's organisation in a different shape or structure – or with different processes – requires particular skills of imagination and of abstraction. My experience is that such skills are possessed by only a small percentage of the working population.

Second, in so many areas of change management there is almost nothing to see – unlike, say, the building of a house or the writing of a new computer program.

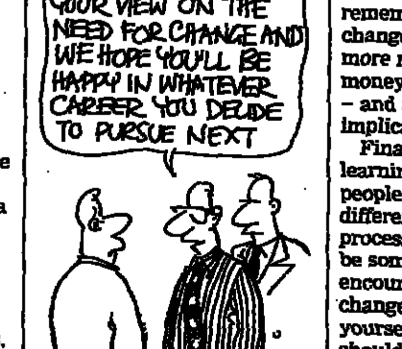
In the 1970s, the now-disbanded Philips technical department in Eindhoven, the Netherlands, attempted to address this, and instructed those involved in change management to start the process by planting tulips in a window box at work. The purpose was simple: to provide employees with tangible evidence of the process of change, mirroring that taking place within the organisation. I use a similarly simple model to assess the chances of success of those projects with which I am involved.

The model has five components: pressure for change; leadership and direction; capable people; the first steps; and effective rewards. If any one of these is missing, there is a greater probability that the project will fail. But how do these components impact on the process of change management?

Pressure for change can come from within a company or from outside. Most successful change programmes depend on external sources of pressure – for example, competitors, predators, government regulators, customers and clients.

Interdepartmental feuds, interdivisional competition and senior management demands can all bring internal pressure to bear and trigger change. Without pressure, the change will not occur. If the pressure does not hurt enough the change is likely to be little more than a theoretical exercise.

There were many examples of the latter in the UK during the 1970s. Considerable sums of money were spent by large, bureaucratic organisations – public and private sector – in an attempt to change the values and attitudes of employees. The aim was to achieve substantial and necessary organisational changes. But the pressure was insufficient and the change was negligible. In many instances the necessary changes were only forced during the 1980s and 1990s because of tougher pressure exerted by market forces.



On leadership and direction, employees are not stupid, and for change to be effective there must be some logic. For them to buy into the process there must be a logical endpoint that can be easily explained and understood. It should answer the question: "What will our firm/group/division look like at the end of this programme of change?"

The programme of change must comprise events that lead sequentially to the end of the project. Asking employees to accept ill-defined, open-ended exercises in change is the cause of many failures. Hence the importance of clear direction and strong leadership, a face, someone to champion and represent the process of change for the organisation.

If change is to be successful, the organisation must be staffed by capable people who can promote the change and carry it forward. There is nothing more damaging to individuals than to ask them to make changes that they are incapable of implementing. This may mean letting employees go; it may mean embarking on training and development programmes. At the outset you should ask yourself whether you have the people with the training, the skills and capability to introduce the changes you plan.

As you take the first steps on the road to change, remember that introducing change always involves more resources – people, money, information or data – and all resources have cost implications.

Finally, change is a learning process. It involves people learning to behave in different ways, and for this process to work, there must be some motivation to encourage them to make the change successfully. Ask yourself why these people should learn to behave in different ways. What is in it for them individually and collectively?

One reward might be to eliminate the possibility of dismissal, to remove the fear factor. More positive would be to challenge and provide excitement for the individual. Another approach is to give an individual or group more control over their activities.

Like all models for understanding and managing the introduction of change in modern organisations, this one is inadequate. However, it does provide a checklist. If any one of the five components outlined above is missing, I suggest you retreat.

John W. Hunt is Professor of Organisational Behaviour at London Business School and a consultant to private and public sector clients. This column appears fortnightly.

TECHNOLOGY WORTH WATCHING

Algorithms may signal cancer breakthrough

Accurate protein analysis is crucial for many branches of cancer research. New mass spectrometry instruments introduced in the early 1990s have made it possible to analyse minute amounts of proteins. The snag is that it is time-consuming and difficult to analyse the data accurately.

The Imperial Cancer Research Fund, the UK charity, is working with consultants from EDS, the information technology group, to develop sophisticated signal-processing algorithms to help with the analysis.

It is working on algorithms originally developed for military use during the cold war to help process radar or sonar signals. As well as speeding up and simplifying the sequencing processing, the algorithms may also make the analytical technique more sensitive. That may allow researchers to detect and classify proteins at far lower concentrations than previously possible, opening up new lines of experimentation in cancer research.

EDS: UK, tel (0)1684 894449; http://www.eds.com

Better methanol fuel cell process

Fuel cells that convert methanol into electricity are potentially a practical and environmentally friendly source of power. Now their performance has been dramatically improved by a complex new catalyst, according to a report in last week's Science magazine.

The usual problem with using methyl alcohol or methanol in fuel cells is that its oxidation in the cell poisons the catalytic electrode surface.

Using a new technique for making and testing hundreds of different catalysts at the same time, researchers at Penn State University and the Illinois Institute of Technology came up with a combination of four elements. The new catalyst – containing platinum, ruthenium, osmium and iridium – performed between 40 per cent and 100 per cent better than the platinum-ruthenium alloy that was previously the best-known catalyst for methanol fuel cells.

Penn State: US, tel 8148638403; e-mail tom@chem.psu.edu

Bacteria to clean up contaminants

Australian scientists are testing an improved technique for applying bioremediation to pollution problems. The researchers from CSIRO, the national research organisation, are treating groundwater contaminated with a common pesticide called atrazine in Perth.

Bacteria are injected into the leading edge of the plume of the contaminant so it can break down the chemical and halt it.

The bacteria will then be circulated, maintaining its potency.

Although atrazine breaks down naturally when close to the surface of water, that does not happen when it is 15m below the surface and immersed in water that lacks oxygen.

The researchers chose a bug discovered by an Israeli scientist. The bacteria, called *Pseudomonas citronellolis* converts the atrazine to carbon dioxide.

CSIRO: Australia, tel 893336306; http://www.csiro.au/

Vanessa Houlder

EQUITIES

Yen rally gives lift to Europe

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

Intervention by the New York Federal Reserve to support the yen and a strong rally on Wall Street helped push trans-European equity indices higher yesterday, with the FTSE Eurotop 100 index closing up 61.21 at 2,827.33.

The broader Eurotop 300 index ended up 23.47 at 1231.79 while the Ebloc 100 index, which tracks companies from countries in the first wave of monetary union, rose 19.60 to 1,030.82.

European bond markets, which have been seen recently as a *safe haven* against Asian turmoil, dropped in response to the concerted US-Japanese move to bolster the yen.

The German government benchmark 10-year issue was quoted in late trading around 103.22, down 0.31 from Tuesday, for a yield of 4.82, up from 4.78.

Across Europe, some of the strongest rallies were in companies and sectors heavily exposed to Asia. LVMH, the French luxury goods manufacturer, which has been hit hard by the region's difficulties, rose Ecu 8.60 to Ecu 179.40. That helped the alcoholic beverages sector in which it is classified put on 4.82 per cent.

Extractive industries, a sector which has fallen sharply in recent weeks, rose 5.91 per cent, with Rio Tinto up Ecu 0.50 at Ecu 10.73 and Billiton Ecu 0.20 higher at Ecu 2.06.

Chemicals rose 2.74 per cent, with Hoechst Ecu 1.70 ahead at Ecu 42.28 and Solvay up Ecu 3.10 at Ecu 72.47. *Bayer rose Ecu 2.20 to Ecu 45.22*

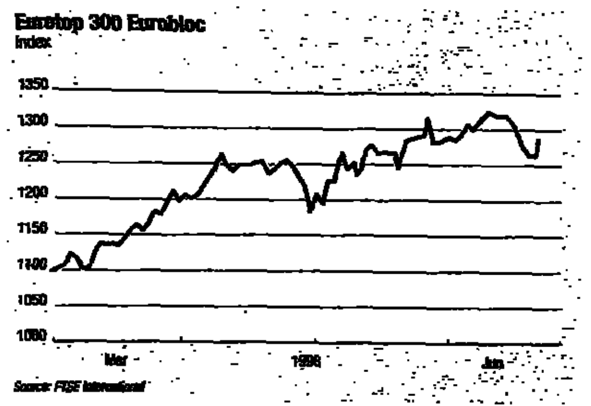
Electronics and electricals rose 2.99 per cent, with Ericsson B up Ecu 1.30 at Ecu 25.05 and Nokia A up Ecu 3.20 at Ecu 59.51.

Meanwhile *information* technology put on 3.94 per cent and telecommunications 2.69 per cent.

Automobiles put on 2.81 per cent, with Volkswagen jumping Ecu 40.40 to Ecu 889.69, apparently helped by a positive investment bank report on the company and by its recent acquisitions.

Declining sectors included support services and construction. Leisure and hotels *also dipped, with France's* Accor gaining but the three UK constituents of the sector – Granada, Ladbroke and Rank – all falling.

Eurotop 300 Eurobloc
Index



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15429
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7282
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4824
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1978

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.135

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1117
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	190
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	123

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

[illegible]

OTHER INDICES

	Jun 17	Jun 16	Jun 15	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DJ Euro Stx 50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MSCI Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Datastream of FT Information. *Subject to revision next day. (a) Ecu

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

June 17 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1231.79	+1.94	+23.47	2.11	16.79	1258.82
FTSE Eurotop 100	2827.33	+2.21	+61.21	2.13	20.65	1006.06
FTSE Ebloc 100	1030.82	+1.94	+19.60	1.75	9.16	1040.09
FTSE Eurotop 300 Regions						
Eurobloc	1289.99	+1.95	+24.65	1.81	14.58	1310.07
UK	1142.21	+1.75	+19.65	2.88	21.07	1182.93
Europe Ex-Eurobloc	1185.02	+1.92	+22.33	2.42	17.91	1215.77
Europe Ex-UK	1283.50	+2.04	+25.65	1.73	14.36	1301.55
FTSE Eurotop Industry Sectors						
RESOURCES	987.31	+1.29	+12.59	2.80	16.03	1017.15
Extractive Industries	815.99	+5.91	+45.58	3.23	0.00	815.99
Oil, Integrated	951.97	+1.12	+10.56	2.90	9.11	980.78
Oil, Exploration & Prod	957.64	+0.28	+2.65	2.58	0.00	957.64
GENERAL INDUSTRIES	1218.72	+2.21	+26.33	2.10	14.62	1235.14
Construction	979.22	−0.77	−7.57	3.01	0.00	979.22
Building Matls & Merchs	1084.76	+1.70	+18.08	2.46	7.65	1092.32
Chemicals	*1046.30*	*+2.74*	*+27.93*	*2.15*	*15.98*	*1082.94*
Diversified Industrials	1025.93	+2.65	+26.51	2.15	8.62	1034.55
Electronic & Elect Equip	1004.91	+2.99	+29.18	1.80	0.59	1005.48
Engineering	*1025.11*	*+0.15*	*+1.53*	*3.33*	*4.17*	*1029.21*
Paper, Pckg & Printing	955.98	+0.86	+8.16	2.43	0.00	955.98
CONSUMER GOODS	1171.32	+2.23	+25.52	1.68	13.02	1197.48
Automobiles	1131.95	+2.81	+30.92	1.01	6.88	1139.19
Alcoholic Beverages	990.88	+4.82	+45.59	2.24	5.82	996.82
Food Producers	*1062.19*	*+1.53*	*+15.97*	*1.59*	*7.80*	*1070.20*
Household Goods & Texts	1057.53	+1.54	+16.07	1.78	4.75	1062.15
Healthcare	1055.81	+4.90	+49.32	5.24	9.52	1066.54
Pharmaceuticals	*983.38*	*+2.21*	*+21.47*	*1.36*	*2.07*	*985.47*
Tobacco	982.36	+1.58	+15.31	4.41	1.81	984.21
SERVICES	1219.70	+1.86	+22.23	2.04	13.89	1244.17
Distribution	1029.43	+0.59	+6.05	1.07	7.98	1037.44
Leisure & Hotels	1010.84	−0.87	−8.85	2.50	5.49	1016.30
Media	1059.61	+1.18	+12.35	2.15	1.59	1061.24
Retailers, Food	1015.64	+1.37	+13.77	2.09	9.18	1025.13
Retailers, General	1066.61	+2.21	+23.03	2.18	8.78	1075.72
Telecommunications	1050.47	+2.89	+27.51	2.00	5.31	1055.97
Breweries, Pubs & Rests	994.59	+1.72	+16.85	3.06	8.69	1003.59
Support Services	1004.95	−0.12	−1.22	1.26	5.66	1010.68
Transport	1053.57	+0.96	+10.00	2.51	5.80	1059.50
Information Technology	1271.38	+3.94	+48.22	0.32	2.23	1274.27
UTILITIES	1317.20	+1.20	+15.66	3.37	44.52	1379.47
Electricity	991.12	+1.21	+11.81	3.58	19.42	1010.73
Gas Distribution	1017.97	+0.89	+9.00	1.83	83.72	1110.59
Water	1044.47	+1.70	+17.45	4.92	23.03	1068.27
FINANCIALS	1343.23	+1.91	+25.23	2.03	19.92	1371.32
Banks,Retail	978.62	+2.39	+22.87	2.28	7.97	986.51
Insurance	972.84	+1.42	+13.66	1.38	5.90	978.67
Life Insurance	1020.60	+0.46	+4.72	2.07	3.19	1023.99
Other Financial	984.05	+1.19	+11.60	2.04	13.23	997.04
Investment Companies	1094.37	+0.88	+9.60	2.05	20.66	1114.83
Property	879.66	−0.49	−4.30	3.12	16.01	885.83

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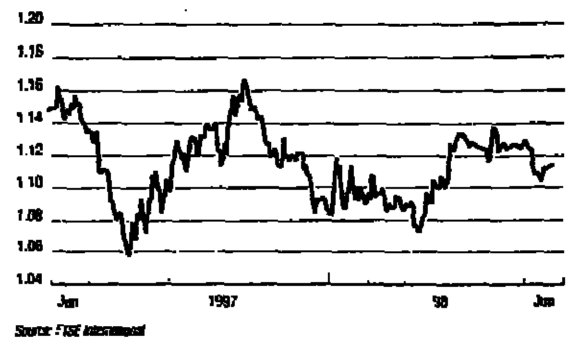
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Jun 17	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	*ATS*	*14.073257*	*+0.0037*	*+0.03*	*+0.0042*	*+0.03*
Belgium	BEF	41.260143	+0.0015	+0.00	+0.0032	+0.01
Czech Republic	CZK	37.325205	−0.2306	−0.61	−0.0855	−0.23
Denmark	*DKK*	*7.619466*	*+0.0031*	*+0.04*	*+0.0042*	*+0.06*
Finland	FIM	6.077572	+0.0015	+0.02	+0.0006	+0.01
France	FRF	6.706659	+0.0016	+0.02	+0.0021	+0.03
Germany	*DEM*	*2.000153*	*+0.0005*	*+0.03*	*+0.0007*	*+0.03*
Greece	GRD	339.545559	−0.8354	−0.25	+0.1618	+0.05
Hungary	HUF	242.538129	+0.2422	+0.10	+2.9050	+1.21
Ireland	*IEP*	*0.793692*	*−0.0002*	*−0.02*	*+0.0002*	*+0.02*
Italy	ITL	1967.836735	−1.8482	−0.09	−2.2806	−0.12
Luxembourg	LUF	41.260143	+0.0015	+0.00	+0.0032	+0.01
Netherlands	*NLG*	*2.254927*	*+0.0006*	*+0.03*	*+0.0010*	*+0.05*
Norway	NOK	8.477186	−0.0202	−0.24	+0.0219	+0.26
Poland	PLN	3.867335	+0.0054	+0.14	−0.0056	−0.14
Portugal	*PTE*	*204.797808*	*+0.2256*	*+0.11*	*+0.0101*	*+0.00*
Romania	ROL	9523.075740	+19.8575	+0.21	−3.4972	−0.04
Russia	RUB	6.934609	+0.0549	+0.80	+0.0336	+0.49
Slovakia	SKK	39.072266	+0.1107	+0.28	+0.4541	+1.18
Spain	ESP	169.677800	−0.0289	−0.02	−0.0364	−0.02
Sweden	SEK	8.895095	−0.0532	−0.59	+0.0126	+0.14
Switzerland	CHF	1.667167	+0.0020	+0.12	+0.0125	+0.75
United Kingdom	GBP	0.673571	+0.0008	+0.12	−0.0098	−1.43
ECU	ECU	1.012145	−0.0000	+0.00	−0.0017	−0.17
Americas						
Brazil	BRL	1.290490	+0.0065	+0.51	+0.0052	+0.40
Canada	CAD	1.636885	+0.0023	+0.14	+0.0051	+0.31
Mexico	MXN	9.933722	−0.0310	−0.31	+0.0510	+0.52
United States	USD	1.117404	+0.0053	+0.47	+0.0045	+0.40
Pacific/Middle East/Africa						
Australia	AUD	1.840141	−0.0377	−2.01	−0.0545	−2.88
Hong Kong	*HKD*	*8.648585*	*+0.0370*	*+0.43*	*+0.0248*	*+0.29*
Japan	JPY	154.402887	−5.9841	−3.73	−2.8021	−1.78
Singapore	SGD	1.868300	−0.0663	−3.43	−0.0726	−3.74
South Africa	*ZAR*	*5.865820*	*−0.0047*	*−0.08*	*+0.1798*	*+3.11*

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1825, NLG 0.0577, BEF 0.0388, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187

Synthetic Euro against the dollar
$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

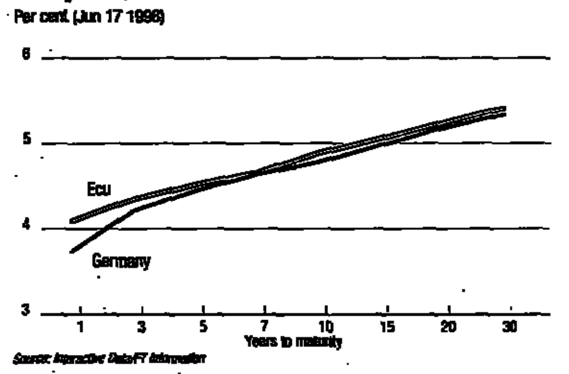
Bilateral conversion rates against the D-Mark

Jun 17	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward Int rate	Diff int rate v DEM
Austria	7.03552	7.0381	+0.01	+0.01	7.0388	3.77	+0.07
Belgium	20.6255	20.6285	+0.01	+0.04	20.6375	3.78	+0.08
France	3.35386	3.3531	−0.02	−0.02	3.3535	3.72	+0.02
Finland	3.04001	3.0386	−0.05	−0.02	3.0407	3.83	+0.13
Ireland	0.402676	0.3968	−1.46	−1.45	0.4017	6.01	+2.31
Italy	990.002	983.743	−0.63	−0.48	989.3897	4.78	+1.08
Luxembourg	20.6255	20.6285	+0.01	+0.04	20.6375	3.78	+0.08
Netherlands	*1.12674*	*1.1274*	*+0.06*	*+0.04*	*1.1272*	*3.67*	*−0.03*
Portugal	102.505	102.3911	−0.11	−0.08	102.6425	4.16	+0.46
Spain	85.0722	84.8324	−0.28	−0.23	85.0831	4.28	+0.58
Germany	*1*		*+0.00*	*+0.00*		*3.7*	*+0.00*

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31.12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; *Diff int rates v DEM are differences between implied forward interest* rates and the DEM forward interest rate for 31.12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve
Per cent (Jun 17 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Jun 17	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	105.760	4.99	+0.07	−0.15	+0.06
France (Rep of)	04/08	5.250	N/A	102.840	4.88	+0.05	−0.17	−0.05
Italy (Rep of)	*05/08*	*5.000*	*AA*	*99.920*	*5.01*	*+0.04*	*−0.16*	*+0.08*
Portugal (Rep of)	06/08	5.375	AA−	102.870	5.00	+0.04	−0.18	+0.07
Euro issues								
Abbey Natl Treas Srv	*02/03*	*4.875*	*AA*	*100.610*	*4.72*	*+0.04*	*−0.12*	*+0.16*
Gen Electric Cap Crp	10/04	5.500	AAA	103.810	4.78	+0.04	−0.20	+0.11
Oest Kontrollbank	04/08	5.250	AAA	101.690	5.03	+0.04	−0.16	+0.10
Cred Local de France	*04/08*	*5.250*	*AA+*	*100.480*	*5.18*	*+0.04*	*−0.18*	*+0.25*
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	A+	101.240	4.55	+0.04	−0.11	+0.15
Cred Foncier France	03/04	8.375	A	115.070	5.26	+0.05	−0.15	+0.59
Euro Inv Bank	04/04	5.250	AAA	103.430	4.56	+0.03	−0.20	−0.11
ABN Amro Hldg NV	04/07	6.375	AA−	107.580	5.28	+0.05	−0.15	+0.41

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; *Ecu bonds are issued in Ecus but convert to Euros 1/1/99.*

GOVERNMENT BOND SPREADS vs ECU

Jun 17	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	−0.04	+0.00	+0.07	+0.01	−0.05	+0.03
Belgium	−0.06	+0.04	+0.09	+0.06	+0.04	+0.08
Finland	−0.11	+0.08	+0.10	+0.05	−0.29	−0.46
France	−0.13	−0.06	−0.06	−0.04	−0.05	−0.04
Germany	−0.16	−0.07	−0.02	−0.11	−0.04	−0.05
Ireland	+0.82	+0.12	+0.13	+0.15	+0.14	+0.30
Italy	+0.29	+0.24	+0.21	+0.17	+0.14	+0.19
Luxembourg	−0.06	+0.04	+0.09	+0.06	+0.04	+0.08
Netherlands	−0.11	−0.03	−0.02	−0.06	−0.05	−0.03
Portugal	+0.17	+0.16	+0.20	+0.15	+0.28	+0.39
Spain	+0.06	+0.11	+0.14	+0.13	+0.20	+0.34
"OUTs"						
Denmark	+0.14	+0.18	+0.18	+0.11	+0.03	+0.18
Greece	+5.86	+4.41	+3.50	+2.77	+2.43	+2.26
Sweden	+0.15	+0.15	+0.16	+0.11	+0.13	−0.04
UK	+2.80	+1.77	+1.41	+0.87	+0.40	+0.05

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Jun 17	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.03	+0.00	−0.02
France Telcom	AA+	11/06	6.250	FRF	+0.15	+0.14	+0.14
Halifax	AA	07/07	5.625	DEM	+0.20	+0.17	+0.19
Ing Bank NV	AA−	01/08	5.500	NLG	+0.19	+0.21	+0.17
Bayer Hypo W Bk	*A+*	*02/02*	*6.750*	*ITL*	*+0.32*	*+0.31*	*+0.26*
Cred Foncier	A	02/03	7.250	DEM	+0.36	+0.37	+0.34
Thomson-Brandt Int	A−	03/04	6.375	FRF	+0.32	+0.34	+0.31
Generale des Eaux	*BBB+*	*03/04*	*6.250*	*FRF*	*+0.28*	*+0.30*	*+0.28*
Bank of China	BBB	07/99	7.125	DEM	+0.71	+0.64	+0.77
Natl Bk of Hungary	BBB−	06/01	9.000	ATS	+0.62	+0.61	+0.67
Korea Dev Bank	*B+*	*11/02*	*5.625*	*FRF*	*+4.94*	*+4.45*	*+4.42*

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or −	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes: Price data and market capitalisations supplied by FTSE International. [illegible]

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Prices drop on yen intervention

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

Concerted intervention by the US and Japan to support the yen knocked away short-term props for bond markets yesterday, with prices falling sharply for a second successive day in choppy trading.

Apparent heavy selling by the US and Japan to fund the move knocked US Treasury prices back, with core European bond markets following suit after the Federal Reserve action pushed the dollar below Y138.

Investors shrank away from the US bond market in a reversal of previous "flight to quality" buying.

In Germany, the benchmark September 10-year bund future hit a session low of 107.78, off 0.52 points, while short-dated gilts and short sterling contracts reacted negatively to UK earnings data showing larger than expected growth.

Analysts said what remaining support there was for bond markets could be eroded quickly if there was evidence of sustained yen support.

"We're at a critical point. If the dollar continues to fall away and the perception builds that they want it to fall further, Treasuries will be under pressure. A lot of the themes that have been dominating are going to reverse," said Michael Derks, senior market strategist at Nomura.

US TREASURIES had continued falling by early afternoon yesterday. The benchmark long bond was down [illegible] to 105%, sending the yield up to 5.718 per cent.

"Today's lows will define the lower end of a developing trading range," said David Ging, market strategist at Donaldson, Lufkin & Jenrette.

At the shorter end, the two-year note fell $\frac{1}{32}$ to 99[illegible], yielding 5.533 per cent while the 10-year note lost $\frac{13}{32}$ to 100%, yielding 5.508 per cent.

"Over the near term, further intervention could well be seen, suggesting a cautious approach should be maintained with regards to the US Treasury market," said James McKay, bond and currency strategist at Commonwealth Bank.

GERMAN BUNDS saw heavy selling initially but recovered somewhat, with the September 10-year future settling down 0.32 points at 107.98. Volume was very heavy with 585,000 contracts traded in Frankfurt.

Padhraic Garvey, senior bond strategist at ABN-Amro Bank, said: "The risk is that if this type of theme persists you will have a return to convergence of periphery bond yields to core bond yields. Up to today there had been mild divergence on the flight to quality argument."

UK GILTS fell steeply, with the yield spread over bunds in the cash market widening eight basis points to 114 points.

The September gilt future settled 0.92 points lower at 108.71 in heavy volume of 157,000 contracts traded.

Average earnings data showed growth of 5.2 per cent in May, slightly higher than a consensus forecast of 5 to 5.1 per cent.

In a sign of continued sensitivity to the twists and turns of the UK interest rate debate, the December short sterling future shed 11 basis points to 92.15, as investors factored in another quarter-point rise in rates.

Economists remain divided over the likelihood of another rise but agree that the Bank of England's monetary policy committee has sown confusion over its stance on rates.

"I think it leaves us exceptionally exposed to what must be a rather quixotic MPC. The danger of setting policy to one or two economic variables instead of within a solid policy framework seems to be evident," said Eric Fishwick, international economist at Nikko.

Associates Corp raises E500m

INTERNATIONAL BONDS

By Vincent Boland and Edward Luce

Associates Corp, the consumer finance group spun off recently from Ford, became only the second US corporate to issue in euros yesterday, following General Motors Acceptance Corp into the market with a E500m floating-rate note issue.

Associates, a big borrower on the US domestic market, wants to broaden its investor base. The new issue was targeted at European investors and attracted demand from money market funds in Italy, the Benelux region and the UK, bankers said.

"US corporates are looking at the euro with great interest, because they want to put price competition between their investor bases. This should ease the pressure on domestic spreads," said HSBC Markets, joint lead with Goldman Sachs.

The five-year bond was launched at a premium of 6.25 basis points over 3-month Libor. A banker at Goldman said that was consistent with Associates' dollar floater programme.

NOMURA GLOBAL FUNDING, a financing vehicle set up by Nomura Securities, made an inaugural offering under its $5bn euro-notes programme. The vehicle is fully guaranteed by its A1/A+ rated parent company.

Nevertheless it had to pay a stiff "Japanese premium" to get the deal away. At a margin of 43 basis points over Libor, it provided significant pick-up to similar non-Japanese credits.

"The deal was easy to get away, but being a Japanese borrower you have no choice but to pay a bit extra in this climate," one banker said.

PHILIP MORRIS launched a bigger than expected DM2bn 10-year issue through Credit Suisse First Boston and Deutsche Bank.

The issue was priced to yield 90 basis points over the January 2008 bund, a level bankers said was tighter than US domestic deals.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
RFMS II, HLT, S 98-HI2(a)★	404	-	-	-	-	-	Bear Stearns
CALMT 98-1, Cls A1(b1)★‡	500	(b1,s)	99.97249R	Jun 2001	0.11R	-	Merrill Lynch
CALMT 98-1, Cls A2(b2)★‡	500	(b2,s)	99.95640R	Jun 2003	0.16R	-	Merrill Lynch
AECAMT, 98-1, Class A(c)‡	825	(c1,s)	100.00	Jun 2003	0.25	-	CSFB
AECAMT, 98-1, Class B(c)‡	80	(c2,s)	100.00	Jun 2003	0.30	-	CSFB
Merrill Lynch & Co‡	750	(d)	99.912R	Jun 2003	0.30R	-	Merrill Lynch
Nomura Global Funding‡	500	(f)	99.725R	Jul 2003	0.175R	-	Nomura International
D-MARKS							
Philip Morris Finance	2bn	5.625	99.277R	Jun 2008	0.375R	+90(5¼Jan08)	CSFB/Deutsche Bank
ABN Amro Bank	500	5.25	99.741R	Jun 2008	0.40R	+49(5¼Jan08)	ABN Amro
Citicorp	350	5.50	99.365R	Jun 2010	0.45R	+78(5¼Jan08)	Goldman Sachs & Co
FRENCH FRANCS							
Mazda Motor Corp	500	5.875	99.66R	Jul 2003	0.48R	+148(Jul03)	Aurel/CCF
ITALIAN LIRE							
SocGen Acceptance(g)	200bn	13.00	99.50R	Jul 1999	0.30R	-	Caboto
SWISS FRANCS							
Deutsche Finance(Neths)(h)	600	3.50	101.40	May 2008	2.75	-	CSFB/Deutsche(Switz)
EUROS(e)							
Assoc Corp of N America(‡)	500	(§)	99.61R	Jun 2003	0.20R	-	Goldman/HSBC Markets
NEW ZEALAND DOLLARS							
LB Schleswig-Holstein	100	8.375	101.175	Jul 2001	1.50	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Residential Funding Mortgage Securities, Home Loan Trust. 10-tranche mortgage-backed. b) Carco Auto Loan Master Trust. b1) Legal maturity: 16/6/03. 1-mth Libor +4bp. b2) Legal maturity: 16/6/05. 1-mth Libor +8bp. c) American Express Credit Account Master Trust. Legal maturity: 23/1/06. c1) 1-mth Libor +9bp. c2) 1-mth Libor +25bp. d) 3-mth Libor +15bp. e) Payments in Ecu prior to Emu. f) 3-mth Libor +37½bp. g) Redeemed at par or 525 shares of Banca Commerciale Italiana. h) Fungible with SFr500m. Plus 53 days accrued. § 3-mth Libor +6¼bp. s) Short 1st coupon.

BBA to launch new rates for repos

By George Graham, Banking Editor

The British Bankers' Association is to strike a new blow in the battle to establish the dominant set of euro interest rate benchmarks with the launch of a new series of rates for repos.

The BBA's Libor rates for unsecured interbank lending are being challenged by the rival Euribor rates. The new indices will be published for sterling and D-Marks, with the D-Mark rate changing into a euro rate.

Secured lending is growing rapidly, with repo rates typically five basis points lower for one-week lending.

New benchmarks are also planned for the options market. The BBA already publishes at-the-money volatilities for foreign exchange options. It will now add 25 delta risk reversal and 25 delta strangle volatilities, allowing banks to build a range of out-of-the-money volatilities.

These volatilities can be used in models such as the Black and Scholes formula to calculate the theoretical value of an option.

While they could be used by traders to price options, Simon Hills of the BBA believes they are more likely to be of use to risk managers checking traders' portfolios.

The BBA also plans to introduce volatility benchmarks for interest rate options, but these are more complicated to calculate, so the association will be working with Lombard Risk Systems, which was set up by John Wisbey.

Lombard's Oberon software is widely used by major banks for managing off-balance sheet interest rate products and their hedges.

NEWS DIGEST

CREDIT RATINGS

Moody's issues further negative report on Japan

Moody's Investors Service, the US credit rating agency, yesterday issued another negative report on Japan, further underlining the risks that the country's long-held Aaa rating could soon be downgraded. The report warned that "uncertainty exists about the ability of the political system to address" the need for structural reforms and a remedy to the country's growing fiscal imbalances.

Moody's put the country's credit rating on negative outlook in early April, and its comments will be interpreted as a possible precursor to a full downgrade. However, Joanne Collins, yen strategist at Daiwa Europe, said: "Moody's will have to wait and see what the Japanese and US authorities can come up with to stabilise the markets."

The report added to the weakness in the Japanese bond market yesterday, which was also hit by the collapse in the share price of Long-Term Credit Bank following concerns that it could struggle to roll over its debt. Moody's warned that rising government debt, as a result of ineffective stimulus packages, could "constrict policy flexibility and pose additional challenges to maintaining investor credibility".

It also suggests that Big Bang liberalisation could result in Japan having a more volatile capital account and put pressure on its reserves. This could lead to "an erosion in the strength of Japan's balance of payments". **Simon Davies**

AMERICAN DEPOSITARY RECEIPTS

Trading at record levels

Trading volumes in American Depositary Receipts – secondary share listings of foreign companies on the US stock market – have hit record levels in the first half of 1998, in spite of jitters over emerging market equities.

Led by European-based companies, trading volumes hit $276bn in the year to June 15, up from $220bn in the same period last year. Over the same period, developed country ADRs listed on the New York Stock Exchange rose in value by 11 per cent from an average of $46.80 a share to $51.90 a share, according to Citibank, which compiles the data on the ADR market.

James Donovan, director of Citibank's global depositary receipt business, said emerging market ADRs continued to outperform their domestic indices. "Having a secondary listing provides greater liquidity and greater investor comfort," he said. According to Citibank's figures, the share value of the seven ADR-listed companies from south-east Asia rose by 9.6 per cent in their home markets in the first half of 1998. In contrast, the five stock exchanges fell by a combined average of 29 per cent over the same period.

However, the Asia crisis clearly hit the new issues market, with the amount of new capital raised down 45 per cent from the first half of 1997. A total of 41 companies raised $3.2bn. ADR programmes were established for the first time for companies from Bulgaria, Cyprus, Dominican Republic, Estonia, Malawi, Nigeria, Panama, Romania and Tunisia. **Edward Luce**

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jun 17	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	102.7193	5.41	-0.15	-0.28	+0.36	+0.03
	10/07	10.000	131.7535	5.54	-0.04	-0.21	-0.13	-1.46
Austria	08/99	7.000	103.5000	4.04	+0.02	-0.02	-0.11	+0.21
	07/07	5.625	105.2800	4.89	+0.04	-	-0.20	-0.83
Belgium	01/00	4.000	99.8300	4.10	+0.03	-0.03	-0.10	+0.52
	03/07	6.250	109.0800	4.95	+0.07	+0.02	-0.13	-0.82
Canada	09/99	4.750	99.5100	5.16	-0.03	-0.09	-0.07	+0.91
	06/07	7.250	113.6000	5.30	+0.02	-0.01	-0.13	-0.86
Denmark	12/99	6.000	102.3000	4.33	+0.04	-0.02	-0.40	+0.16
	11/07	7.000	114.4800	5.03	+0.04	+0.01	-0.25	-1.33
Finland	01/99	11.000	103.8042	3.75	+0.01	-0.02	-0.12	-0.04
	04/08	7.250	115.1500	4.87	+0.03	-	-0.15	-1.21
France	01/00	4.000	99.8000	4.05	+0.04	-	-0.07	+0.51
	10/04	6.750	111.5800	4.60	+0.05	-0.02	-0.18	-0.53
	10/07	5.500	104.8400	4.84	+0.04	+0.01	-0.18	-0.75
	10/25	6.000	108.7780	5.38	+0.05	+0.01	-0.19	-1.10
Germany	09/99	4.000	100.1300	3.88	+0.03	-0.03	-0.09	+0.42
	11/04	7.500	115.4600	4.64	+0.03	-0.02	-0.19	-0.62
	07/07	6.000	108.4200	4.83	+0.06	+0.01	-0.18	-0.86
	07/27	6.500	116.3700	5.37	+0.05	-	-0.20	-1.12
Ireland	04/99	6.250	100.5600	5.43	+0.01	+0.02	+0.31	-0.58
	08/06	8.000	119.0000	5.09	+0.04	+0.02	-0.12	-1.46
Italy	05/00	6.000	102.7700	4.45	-	-0.03	-0.10	-1.80
	05/02	6.250	105.6500	4.84	+0.03	-0.04	-0.15	-1.82
	07/07	6.750	112.3400	5.03	+0.03	-	-0.16	-1.98
	11/26	7.250	124.4300	5.53	+0.04	-0.02	-0.17	-2.17
Japan	03/00	6.400	110.2200	0.49	+0.04	+0.05	+0.10	-0.40
	12/02	4.800	117.1300	0.90	+0.04	+0.05	+0.01	-0.89
	09/05	3.000	111.7300	1.30	+0.04	+0.04	-0.03	-1.06
	09/17	3.000	114.5300	2.08	+0.02	+0.02	-0.10	-0.97
Netherlands	11/99	7.500	104.5600	4.05	+0.02	+0.01	-0.06	+0.40
	02/07	5.750	106.5800	4.80	+0.05	+0.01	-0.18	-0.79
New Zealand	02/00	6.500	97.5802	8.09	-0.03	-0.07	+0.58	+1.28
	11/06	8.000	107.1807	6.84	-0.05	-0.06	+0.12	-0.27
Norway	01/99	9.000	102.2200	5.08	+0.03	+0.25	+0.46	+1.13
	01/07	6.750	108.5000	5.47	+0.02	+0.10	-0.03	-0.47
Portugal	03/99	8.500	103.0400	4.24	-	+0.02	-0.02	-0.99
	02/07	6.625	111.0200	5.02	+0.05	+0.02	-0.13	-1.36
Spain	07/99	7.400	103.3500	4.22	+0.01	+0.03	-0.01	-0.77
	03/07	7.350	116.4000	4.99	+0.05	+0.01	-0.18	-1.38
Sweden	01/99	11.000	103.7220	4.24	+0.05	+0.04	-0.38	-0.54
	08/07	8.000	121.7350	4.98	+0.05	+0.04	-0.25	-1.86
Switzerland	03/00	5.000	105.0700	1.97	+0.04	+0.07	+0.08	+0.52
	08/07	4.500	111.2200	3.05	+0.08	+0.12	-	-0.32
UK	08/99	6.000	98.6641	7.22	+0.10	+0.28	+0.48	+0.47
	11/04	6.750	102.9688	6.18	+0.16	+0.26	+0.13	-0.82
	12/07	7.250	109.8750	5.88	+0.13	+0.19	-0.07	-1.18
	06/21	8.000	130.2813	5.63	+0.13	+0.08	-0.26	-1.50
US	10/99	5.625	100.0390	5.59	+0.07	+0.02	+0.01	-0.43
	11/04	7.875	112.1880	5.59	+0.05	-0.02	-0.12	-0.72
	08/07	6.125	103.4530	5.64	+0.08	+0.03	-0.10	-0.79
	11/27	6.375	108.5700	5.76	+0.05	+0.01	-0.20	-0.98
ECU	01/00	4.000	99.7600	4.15	+0.02	-0.08	-0.11	-
	04/07	5.500	104.4800	4.88	+0.05	-0.01	-0.19	-1.12

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jun 17	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.54	+0.72	+0.03
Austria	4.94	+0.12	-0.57
Belgium	4.99	+0.17	-0.52
Canada	5.30	+0.48	-0.21
Denmark	5.04	+0.22	-0.47
Finland	4.98	+0.16	-0.53
France	4.89	+0.07	-0.62
Germany	4.82	-	-0.69
Ireland	5.08	+0.26	-0.43
Italy	5.10	+0.28	-0.41
Japan	1.30	-3.52	-4.21
Netherlands	4.87	+0.05	-0.64
New Zealand	6.84	+2.02	+1.33
Norway	5.49	+0.67	-0.02
Portugal	5.08	+0.26	-0.43
Spain	5.06	+0.24	-0.45
Sweden	5.04	+0.22	-0.47
Switzerland	3.05	-1.77	-2.46
UK	5.80	+0.98	+0.29
US	5.51	+0.69	-
ECU	4.93	+0.11	-0.58

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Jun 17	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	98.1208	7.59	-0.12	-0.19	+2.06
Poland	07/04	7.125	BBB-	102.0759	6.70	-0.02	-0.06	+1.17
Russia	06/07	10.000	B+	87.2500	12.39	-0.09	+1.05	+6.87
LATIN AMERICA								
Argentina	09/27	9.750	BB	93.2500	10.49	-0.21	+0.07	+4.79
Brazil	05/27	10.125	BB-	89.7500	11.33	-0.29	+0.46	+5.63
Mexico	05/26	11.500	BB	116.2000	9.78	-0.16	+0.07	+4.08
ASIA								
China	07/06	7.750	BBB+	105.4150	6.85	-0.12	-0.41	+1.33
Philippines	10/16	8.750	BB+	92.5530	9.62	-0.12	-0.01	+4.03
Thailand	04/07	7.750	BBB-	93.4077	8.85	-0.12	-0.02	+3.33
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	101.8770	8.10	-0.12	-0.06	+2.57
South Africa	10/06	8.375	BB+	104.3389	7.64	-0.12	-0.35	+2.12
Turkey	09/07	10.000	B	101.2733	9.77	-0.12	-0.07	+4.25
BRADY BONDS								
Argentina	03/23	5.750	BB	75.0000	8.39	+0.02	-0.08	+2.73
Brazil	04/14	5.000	BB-	76.7500	10.43	-0.32	+0.24	+4.86
Mexico	12/19	6.250	BB	83.7500	7.82	-0.03	-0.12	+2.20
Venezuela	03/20	6.750	B+	83.3750	8.43	-0.10	+0.05	+2.80

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	104.47	104.15	-0.33	104.47	103.96	139,307	125,754
Dec	-	103.85	-0.30	-	-	0	0

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
102	2.16	2.22	2.30	0.01	0.08	0.17
103	1.19	1.36	1.49	0.04	0.22	0.35
104	0.35	0.67	0.83	0.20	0.52	0.68
105	0.05	0.25	0.40	0.90	1.10	1.24

Est. vol. total, Calls 13,880 Puts 15,187. Previous day's open int., Calls 52,067 Puts 44,866.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108.26	107.98	-0.32	108.29	107.78	40111	73150
Dec	-	107.43	-0.32	-	-	0	94

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
10750	0.55	0.80	0.98	1.06	0.07	0.32	0.50	1.13
10800	0.21	0.51	0.69	0.83	0.23	0.53	0.71	1.40
10850	0.06	0.30	0.46	0.64	0.58	0.82	0.98	1.71

Est. vol. total, Calls 22400 Puts 20405. Previous day's open int., Calls 197827 Puts 142243

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

[illegible]

Italy

[illegible]

Spain

[illegible]

UK

[illegible]

US

[illegible]

Japan

[illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	103.34	-0.40	-	-	0	18

INTERNATIONAL BONDS

Jun 17	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EIB	02/07	5.750	AAA	106.0300	4.88	+0.06	-0.16	+0.06
Spain	01/07	5.750	AA	105.6300	4.92	+0.06	-0.19	+0.10
Philip Morris	03/04	5.375	A	102.3986	4.88	+0.05	-0.30	+0.26
[illegible]								

US intervention sparks big Yen rise

MARKETS REPORT

By Daniel Dombey

The US Federal Reserve came to the yen's rescue yesterday- and the Japanese currency soared in response.

An intervention estimated at $2bn on behalf of the US government and the Bank of Japan pushed the yen, which had already been strengthening on Asian markets, to its highest level for more than three weeks.

Midway through New York trading, the currency had fallen to Y136.02 to the dollar after what dealers said was a second wave of intervention. At the same time the previous day, the currency had stood at Y144.2, while earlier on Tuesday, it had fallen to Y146.75, a near eight-year low.

"I think this is the turn," said Jim O'Neill at Goldman Sachs. "But the market always doubts the effectiveness of intervention. In order to stop the dollar from recovering, we need to see positive noises from Japan very soon about bank reform."

The problems of the Japanese banking sector- which is plagued by bad debt and consequently reluctant to issue new loans- have both spurred on the yen's fall and been exacerbated by it. The currency's depreciation has worsened several banks' already parlous capital adequacy ratios.

■ The move was the Clinton administration's first-ever intervention to help the yen and came despite comments last week by Robert Rubin, US Treasury Secretary, which appeared to dismiss the likelihood of such a step.

■ POUND IN NEW YORK

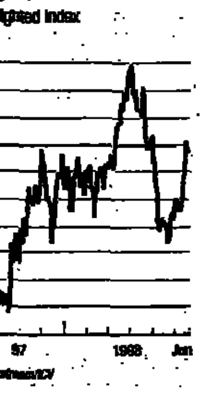
Jun 17	—Latest—	— Prev. close —
£ spot	1.6615	1.6518
1 mth	1.6589	1.6483
3 mth	1.6532	1.6429
1 yr	1.6283	1.6197

But as the yen's fall accelerated in the wake of Mr Rubin's comments, the US appears to have become persuaded of the need for intervention. The effectiveness of yesterday's move was also bolstered by the element of surprise, while Washington has reiterated its message that Japan has to get its economic fundamentals right.

"I wanted to send a clear signal to the markets that the United States supports Japanese reform [and] believes the Japanese people can pull out of this economic slump and restore growth," President Clinton said yesterday.

Mr Clinton added that Ryutaro Hashimoto, the Japanese Prime Minister, had told him in a conversation on Tuesday evening that he was prepared to take "bold steps" to move the Japanese economy forward.

Lawrence Summers, the US Deputy Treasury Secretary, is today scheduled to meet other deputy finance ministers from the G-7 group of industrialised countries in Tokyo in talks about the Japanese economy.



Source: Datastream/ICV

"This kind of measure will scare off some of the capital outflows from Japan," said Tony Norfield at ABN-Amro. "It's a useful holding operation, but it's probably necessary for the yen to stay under Y138 to keep it under wraps."

Mr O'Neill argued that if the yen closed below Y137 to the dollar, it could then quickly move down to the low Y130s, while any higher close could encourage the market to test Y140. in the near future.

He added that the political consequences of a drastically weaker yen had become too much for the Clinton administration to bear.

"The thinking about the benefits of a weaker yen for US inflation is reaching the end of the line, but worries about net damage in terms of trade and earnings for major corporates were becoming too big to ignore."

■ OTHER CURRENCIES

Jun 17	£	$
Czech Rp	55.3807 - 55.4555	33.3880 - 33.4190
Hungary	359.988 - 360.223	217.030 - 217.080
Iran	4978.20 - 4976.10	3000.00 - 3000.00
Kuwait	0.5061 - 0.5094	0.3063 - 0.3064
Peru	4.8285 - 4.8355	2.9110 - 2.9140
Poland	5.7388 - 5.7473	3.4585 - 3.4635
Russia	10.2922 - 10.2989	6.2050 - 6.2070
U.A.E.	6.0921 - 6.0953	3.6728 - 3.6732

■ Hefty increases in UK average earnings bolstered expectations of a rate rise yesterday, but the pound was held back by the fall in the dollar.

But despite a big fall midway through the day, at the height of the Fed intervention, sterling fell by only 0.17 pfennigs against the D-Mark and rose sharply against the dollar in New York trading.

For the second consecutive day, there was heavy selling of sterling interest rate futures, indicating that the markets were pricing in another rate rise before the end of the year.

"This is understandable with European rates at something like 4 per cent and UK rates at close to 8 per cent," said Michael Wallace, manager of currency analysis at Standard & Poor's in London.

WORLD INTEREST RATES

MONEY RATES

Jun 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3⅝	3¾	3⅝	3¾	6.00	2.75	–
France	3⅝	3⅝	3⅝	3⅝	4⅛	4.60	–	3.30
Germany	3½	3⅝	3⅝	3¾	3⅞	4.50	2.50	3.30
Ireland	6½	6¼	6¼	6⅛	5¾	–	–	6.75
Italy	5⅛	5⅛	5⅛	4⅞	4⅞	6.50	5.00	5.31
Netherlands	3⅛	3⅝	3⅝	3⅝	3⅞	–	2.75	3.30
Switzerland	1⅞	2⅛	1⅞	1⅞	2	–	1.00	–
US	5⅛	5⅝	5⅝	5⅝	5⅝	–	5.00	–
Japan	⅜	⅜	⅜	⅜	⅜	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	5⅝	5⅝	5⅝	5¾	–	–	–
US Dollar CDs	–	5.45	5.45	5.48	5.53	–	–	–
ECU Linked Ds	–	4⅛	4⅛	4⅛	4⅛	–	–	–
SDR Linked Ds	–	3⅝	3⅝	3⅝	3⅝	–	–	–

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3¾ - 3⅝	3⅞ - 3¾	4 - 3⅞
Danish Krone	4 - 3⅞	- - -	4⅛ - 3⅞	4⅛ - 4⅛	4⅛ - 3⅞	4¼ - 4⅛
German Mark	3⅝ - 3½	3⅝ - 3½	3⅝ - 3⅝	3¾ - 3⅝	3⅞ - 3¾	3⅞ - 3¾
Dutch Guilder	3⅝ - 3½	3⅝ - 3½	3⅝ - 3⅝	3⅝ - 3⅝	4 - 3⅞	3⅞ - 3⅞
French Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3⅝	3⅝ - 3⅝	3⅞ - 3⅝	4⅛ - 3⅞
Portuguese Esc.	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4¼ - 4⅛	4⅛ - 4⅛
Spanish Peseta	4⅜ - 4⅛	4½ - 4⅜	4½ - 4⅜	4½ - 4⅜	4½ - 4⅜	4⅝ - 4½
Sterling	7 - 6⅞	7⅜ - 7⅛	7⅜ - 7¼	7⅝ - 7½	7⅞ - 7¾	8 - 7⅞
Swiss Franc	2½ - 1⅞	1⅞ - 1¾	2⅛ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞	2⅛ - 1⅞
Canadian Dollar	4⅞ - 4⅝	4⅞ - 4⅝	5⅛ - 4⅞	5 - 4⅞	5⅛ - 5	5⅜ - 5¼
US Dollar	5⅝ - 5½	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅞ - 5¾	5⅞ - 5⅞
Italian Lira	5⅝ - 5½	5¼ - 5⅛	5⅛ - 5⅛	5⅛ - 4⅞	4⅞ - 4⅞	4⅞ - 4¾
Japanese Yen	⅝ - ⅜	½ - ⅜	½ - ⅜	⅜ - ⅜	½ - ⅜	½ - ⅜
Asian $Sing	7 - 6½	7½ - 6½	7¼ - 6¼	7½ - 6½	7¼ - 6¾	7¼ - 6¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.275	96.265	–0.010	96.275	96.250	8,292	66,262
Dec	96.065	96.045	–0.010	96.055	96.015	2,757	58,642

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.275	96.265	-0.010	96.275	96.250	58488	408858
Dec	96.025	96.015	-0.020	96.035	95.995	63806	455428
Mar	95.935	95.915	-0.025	95.940	95.900	44578	416311
Jun	95.800	95.790	-0.025	95.815	95.780	21296	189639

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul	-	96.480	-0.010	-	-	0	0
Aug	-	96.425	-0.010	-	-	0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.530	95.580	+0.040	95.600	95.530	37435	198738
Dec	95.960	95.960	-	95.980	95.940	7852	152885
Mar	95.920	95.910	-0.020	95.930	95.890	4152	205240
Jun	95.780	95.780	-0.020	95.800	95.770	1078	50097

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.110	98.050	-0.060	98.140	98.010	21067	84827
Dec	97.930	97.870	-0.050	97.940	97.840	5300	43202
Mar	97.850	97.780	-0.050	97.850	97.750	2736	17645
Jun	97.740	97.680	-0.060	97.740	97.670	738	15640

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	99.28	-0.06	-	-	0	n/a
Dec	-	99.25	-0.06	-	-	0	n/a
Mar	-	99.22	-0.06	-	-	0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.765	95.765	-0.010	95.770	95.750	659	15429
Dec	95.985	95.985	-0.020	95.985	95.960	419	7282
Mar	95.920	95.905	-0.035	95.920	95.905	33	4824
Jun	95.800	95.785	-0.030	95.800	95.785	9	1978

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
95625	0.100			0.145		
95750	0.060	0.270	0.260	0.230	0.060	0.100
95875	0.030			0.325		

Est. vol. total, Calls 5501 Puts 2050. Previous day's open int., Calls 98185 Puts 86692

POUND SPOT FORWARD AGAINST THE POUND

Jun 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8950	–0.0188	852 - 048	20.9456	20.8105	20.8256	4.0	20.6825	4.1	20.114	3.7	103.1
Belgium	(BFr)	61.2604	–0.069	392 - 816	61.4350	61.0190	61.0616	3.9	60.6407	4.0	58.9778	3.7	102.4
Denmark	(DKr)	11.3128	–0.0086	089 - 169	11.3431	11.2777	11.28	3.5	11.2083	3.7	10.9227	3.4	105.1
Finland	(FM)	9.0238	–0.0082	179 - 296	9.0440	8.9930	8.9937	4.0	8.9336	4.0	8.6923	3.7	81.0
France	(FFr)	9.9576	–0.0093	547 - 605	9.9818	9.9168	9.9239	4.1	9.854	4.2	9.5823	3.8	105.8
Germany	(DM)	2.9697	–0.0027	684 - 710	2.9781	2.9572	2.9596	4.1	2.9386	4.2	2.8575	3.8	104.0
Greece	(Dr)	504.136	–1.827	615 - 657	508.250	502.488	506.486	–5.6	510.47	–5.0	521.407	–3.4	81.0
Ireland	(I£)	1.1784	–0.0016	760 - 807	1.1810	1.1754	1.1772	1.2	1.1744	1.3	1.1483	2.6	94.2
Italy	(L)	2921.42	–6.14	998 - 287	2932.05	2913.40	2915.86	2.3	2902.28	2.6	2827.89	3.2	76.0
Luxembourg	(LFr)	61.2604	–0.069	392 - 816	61.4350	61.0190	61.0616	3.9	60.6407	4.0	58.9778	3.7	102.4
Netherlands	(Fl)	3.3480	–0.0029	468 - 492	3.3563	3.3352	3.3364	4.1	3.3129	4.2	3.2207	3.8	101.8
Norway	(NKr)	12.5864	–0.0447	804 - 924	12.6402	12.5327	12.5558	2.8	12.4955	2.9	12.268	2.5	95.6
Portugal	(Es)	304.071	–0.018	924 - 218	304.806	302.896	303.255	3.2	301.436	3.5	293.36	3.5	91.8
Spain	(Pta)	251.827	–0.336	791 - 863	253.570	251.080	251.283	3.2	249.834	3.3	243.183	3.5	78.9
Sweden	(SKr)	13.2068	–0.0845	981 - 155	13.2959	13.1678	13.1712	3.2	13.0853	3.4	12.7787	3.3	84.6
Switzerland	(SFr)	2.4753	-	740 - 765	2.4787	2.4610	2.4635	5.7	2.439	5.9	2.3398	5.5	105.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.8
Ecu	-	1.5028	–0.0018	011 - 044	1.5068	1.4983	1.4986	3.4	1.4896	3.5	1.4508	3.5	-
SDR†	-	1.242588	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6588	+0.0059	584 - 592	1.6615	1.6510	-	-	-	-	-	-	-
Brazil	(R$)	1.9161	+0.0078	155 - 166	1.9191	1.9063	-	-	-	-	-	-	-
Canada	(C$)	2.4304	+0.0006	293 - 314	2.4379	2.4251	2.4248	2.7	2.414	2.7	2.3706	2.5	80.8
Mexico	(New Peso)	14.7490	–0.0632	392 - 587	14.8368	14.7029	14.9377	–15.3	15.3102	–15.2	17.0159	–15.4	-
USA	($)	1.6591	+0.0059	587 - 594	1.6617	1.6512	1.6565	1.9	1.6507	2.0	1.6268	1.9	111.8
Pacific/Middle East/Africa													
Australia	(A$)	2.7321	–0.0592	304 - 338	2.8068	2.6775	2.7269	2.3	2.7159	2.4	2.671	2.2	81.6
Hong Kong	(HK$)	12.8409	+0.04	373 - 444	12.8857	12.7882	12.862	–2.0	12.8918	–1.6	13.1928	–2.7	-
India	(Rs)	69.9456	+0.0586	976 - 935	70.0360	69.4450	-	-	-	-	-	-	-
Israel	(Shk)	6.0881	–0.0043	806 - 956	6.1128	6.0800	-	-	-	-	-	-	-
Japan	(Y)	229.248	–8.161	116 - 379	238.240	227.740	227.853	7.3	225.053	7.3	213.293	7.0	112.1
Malaysia	(M$)	6.5205	–0.1793	112 - 297	6.7610	6.5100	6.6096	–16.4	6.8013	–17.2	7.2069	–10.5	-
New Zealand	(NZ$)	3.2059	–0.1214	021 - 097	3.3345	3.1504	3.2101	–1.6	3.2153	–1.2	3.2332	–0.8	93.9
Philippines	(Peso)	67.8553	–1.329	262 - 843	68.2969	67.4181	68.3252	–8.3	69.4878	–9.6	74.3706	–9.6	-
Saudi Arabia	(SR)	6.2234	+0.0219	215 - 252	6.2327	6.1946	6.2173	1.2	6.2024	1.3	6.149	1.2	-
Singapore	(S$)	2.7740	–0.1017	692 - 787	2.8740	2.7659	2.7771	–1.3	2.7757	–0.2	2.7729	0.0	-
South Africa	(R)	8.8577	–0.0172	533 - 620	8.8971	8.7885	8.9679	–14.9	9.1102	–11.4	9.5718	–8.1	-
South Korea	(Won)	2356.68	–8.81	204 - 133	2361.91	2342.54	-	-	-	-	-	-	-
Taiwan	(T$)	57.5940	+0.023	237 - 642	57.7548	57.4487	57.8342	–5.0	57.9147	–2.2	58.1808	–1.0	-
Thailand	(Bt)	68.1870	–3.279	067 - 673	72.5540	67.8710	69.5699	–24.3	72.5482	–25.6	80.2806	–17.7	-

† Rates for Jun 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.5946	–0.0563	913 - 978	12.6540	12.5520	12.5728	2.1	12.5287	2.1	12.3646	1.8	103.2
Belgium	(BFr)	36.9250	–0.1735	200 - 300	37.1100	36.8200	36.8635	2.0	36.7365	2.0	36.255	1.8	102.6
Denmark	(DKr)	6.8189	–0.0295	179 - 199	6.8529	6.7989	6.8098	1.6	6.7906	1.7	6.7144	1.5	104.9
Finland	(FM)	5.4391	–0.0244	367 - 415	5.4652	5.4250	5.4265	2.1	5.412	2.0	5.3434	1.8	81.0
France	(FFr)	6.0020	–0.027	015 - 025	6.0290	5.9815	5.9912	2.2	5.9696	2.2	5.8905	1.9	105.7
Germany	(DM)	1.7900	–0.008	896 - 904	1.7986	1.7839	1.7868	2.2	1.7803	2.2	1.7566	1.9	104.0
Greece	(Dr)	303.870	–2.19	620 - 120	306.980	303.020	305.77	–7.5	309.245	–7.1	320.52	–5.5	60.7
Ireland	(I£)	1.4079	+0.0069	054 - 104	1.4106	1.4017	1.407	0.7	1.4055	0.7	1.4167	–0.6	-
Italy	(L)	1760.90	–10	040 - 140	1770.80	1756.80	1760.33	0.4	1758.22	0.6	1738.37	1.3	76.0
Luxembourg	(LFr)	36.9250	–0.1735	200 - 300	37.1100	36.8200	36.8635	2.0	36.7365	2.0	36.255	1.8	102.6
Netherlands	(Fl)	2.0180	–0.009	177 - 183	2.0278	2.0106	2.0142	2.2	2.007	2.2	1.9798	1.9	101.9
Norway	(NKr)	7.5865	–0.0541	845 - 885	7.6399	7.5577	7.58	1.0	7.5698	0.9	7.5414	0.6	95.1
Portugal	(Es)	183.280	–0.685	230 - 330	184.090	182.740	183.078	1.3	182.612	1.5	180.335	1.6	92.6
Spain	(Pta)	151.850	–0.745	800 - 900	152.800	151.600	151.69	1.3	151.35	1.3	149.49	1.6	78.9
Sweden	(SKr)	7.9605	–0.0855	569 - 640	8.0440	7.9400	7.9516	1.3	7.9332	1.4	7.8542	1.3	84.2
Switzerland	(SFr)	1.4920	–0.0053	915 - 924	1.4973	1.4846	1.4872	3.8	1.4776	3.9	1.4383	3.6	105.9
UK	(£)	1.6591	+0.0059	587 - 594	1.6617	1.6512	1.6565	1.9	1.6507	2.0	1.6268	1.9	105.8
Ecu	-	1.1040	+0.0052	030 - 050	1.1074	1.0981	1.1054	–1.5	1.1081	–1.5	1.1213	–1.6	-
SDR†	-	0.75441	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1549	+0.0004	548 - 550	1.1555	1.1545	-	-	-	-	-	-	-
Canada	(C$)	1.4649	–0.0049	646 - 652	1.4704	1.4625	1.4639	0.8	1.4624	0.7	1.4573	0.5	81.2
Mexico	(New Peso)	8.8900	–0.07	860 - 940	8.8950	8.8850	9.018	–17.3	9.275	–17.3	10.46	–17.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	114.3
Pacific/Middle East/Africa													
Australia	(A$)	1.6468	–0.0417	461 - 474	1.6992	1.6155	1.646	0.6	1.6434	0.8	1.6327	0.9	80.4
Hong Kong	(HK$)	7.7399	–0.0034	394 - 404	7.7447	7.7385	7.7649	–3.9	7.8099	–3.6	8.1099	–4.8	-
India	(Rs)	42.1600	–0.115	400 - 800	42.3300	41.9000	-	-	-	-	-	-	-
Israel	(Shk)	3.6697	–0.0156	659 - 734	3.6853	3.6551	-	-	-	-	-	-	-
Japan	(Y)	138.180	–6.035	130 - 230	144.090	137.250	137.555	5.4	136.335	5.3	131.115	5.1	109.2
Malaysia	(M$)	3.9303	–0.1225	255 - 350	4.0850	3.9250	3.9903	–18.3	4.1203	–19.3	4.4303	–12.7	-
New Zealand	(NZ$)	1.9324	–0.0803	305 - 342	2.0169	1.9008	1.9355	–1.9	1.9409	–1.8	1.9597	–1.4	-
Philippines	(Peso)	40.9000	–0.95	500 - 500	41.1800	40.6200	41.2485	–10.2	42.096	–11.7	45.717	–11.8	-
Saudi Arabia	(SR)	3.7512	–0.0001	508 - 515	3.7565	3.7500	3.7535	–0.7	3.7574	–0.7	3.7799	–0.8	-
Singapore	(S$)	1.6720	–0.0675	695 - 745	1.7375	1.6684	1.6765	–3.2	1.6815	–2.3	1.7045	–1.9	-
South Africa	(R)	5.3390	–0.0295	375 - 405	5.3740	5.3180	5.414	–16.9	5.519	–13.5	5.884	–10.2	-
South Korea	(Won)	1420.50	–11	800 - 300	1425.00	1415.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.7150	–0.11	800 - 500	34.8300	34.6490	34.915	–6.9	35.085	–4.3	35.765	–3.0	-
Thailand	(Bt)	41.1000	–2.13	000 - 000	43.9000	40.8000	42	–26.3	43.95	–27.7	49.35	–20.1	-

† SDR rate per $ for Jun 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 16: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.25	4.848	1.924	4769	5.465	20.55	496.4	411.2	21.56	4.041	1.632	3.967	2.708	374.2	2.453
Denmark	(DKr)	54.15	10	8.802	2.625	1.042	2582	2.959	11.13	268.8	222.7	11.67	2.188	0.884	2.148	1.467	202.6	1.328
France	(FFr)	61.52	11.36	10	2.982	1.183	2934	3.362	12.64	305.4	253.0	13.26	2.486	1.004	2.441	1.666	230.2	1.509
Germany	(DM)	[illegible]																
Ireland	(I£)	[illegible]																
Italy	(L)	[illegible]																
Netherlands	(Fl)	[illegible]																
Norway	(NKr)	[illegible]																
Portugal	(Es)	[illegible]																
Spain	(Pta)	[illegible]																
Sweden	(SKr)	[illegible]																
Switzerland	(SFr)	[illegible]																
UK	(£)	[illegible]																
Canada	(C$)	[illegible]																
USA	($)	[illegible]																
Japan	(Y)	[illegible]																
Ecu		[illegible]																

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]						
Dec	[illegible]						
Mar	[illegible]						

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]						
Dec	[illegible]						
Mar	[illegible]						

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]						
Dec	[illegible]						
Mar	[illegible]						

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]						
Dec	[illegible]						
Mar	[illegible]						

UK INTEREST RATES

LONDON MONEY RATES

Jun 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]					
Sterling CDs	[illegible]					
Treasury Bills	[illegible]					
Bank Bills	[illegible]					
Local authority deps.	[illegible]					
Discount Market deps	[illegible]					

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Jun 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
[illegible]						

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]						
Sep	[illegible]						
Dec	[illegible]						
Mar	[illegible]						
Jun	[illegible]						

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

■ PHILADELPHIA SE D-MARK OPTIONS DM62,500 ($ per DM)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	●Smith & Williamson	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	Sun Bank	7.50
Banco Bilbao Vizcaya	7.50	●Guinness Mahon	7.50	TSB	7.50
Bank of Cyprus	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Ireland	7.50	●Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of India	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of Scotland	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Barclays Bank	7.50	Hongkong & Shanghai	7.50		
Brit Bk of Mid East	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.50	Julian Hodge Bank	7.50		
Citibank NA	7.50	●Leopold Joseph & Sons	7.50		
Clydesdale Bank	7.50	Lloyds Bank	7.50		
The Co-operative Bank	7.50	Midland Bank	7.50		
Coutts & Co	7.50	NatWestminster	7.50		
Cyprus Popular Bank	7.50	●Rea Brothers	7.50		
Duncan Lawrie	7.50	Royal Bk of Scotland	7.50		
		Scottish Widows Bank	7.50		

Steep fall in diamond sales by De Beers

By Kenneth Gooding, Mining Correspondent

De Beers yesterday reported a steep fall in its diamond sales in the first half but insisted it had averted a potential collapse in prices caused by Asian economic turmoil.

The South African group, which accounts for two-thirds of trade in rough, or uncut, diamonds, said it had deliberately held back supplies to the cutting industry. Consequently, sales by its London based Central Selling Organisation, which organises the international diamond marketing cartel, dropped by 41 per cent to $1.7bn.

This was slightly ahead of expectations. Michael Coulson, head of global mining at Paribas, said no big increase in second-half sales could be expected and the full-year figure would be about $4.1bn against $4.64bn for 1997. If that was achieved, De Beers would have full-year earnings per share of $2.61 against $2.75 for 1997.

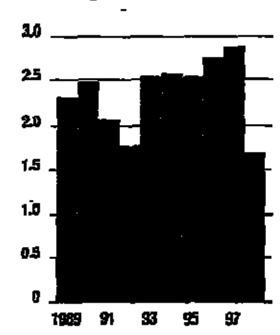
De Beers said: "The policies adopted by the CSO over the last 12 months have enabled the diamond industry to adjust to the problems of south-east Asia without the pricing consequences that have affected other commodities and which would have both impacted adversely on the financial structure of the industry and been damaging to consumer confidence in diamonds."

These policies had enabled cutting centres to run down their stocks of rough and polished diamonds, which were now about $1bn lower than at this time last year.

Tim Capon, a De Beers director, said: "What gives us a great deal of confidence is that supply, out of the ground, and demand are not far out of balance. We saw a 3 per cent fall in the value of diamonds in jewellery last year because of Asia and expect a further 6 per cent fall this year. This is not widely removed from the 10 per cent fall in supply we expect."

CSO diamond sales

First-half figures ($bn)



Source: De Beers/CSO

De Beers had been helped by a drop in rough diamond exports from Angola and the fact that "unofficial" exports from Russia had dried up.

"We could have sold many more rough diamonds but we have had to walk a fine line between keeping the cutters occupied when rough diamonds are in short supply and the fact that there was still oversupply of polished diamonds. We are trying to manage down stocks without causing a speculative bubble for rough diamonds," said Mr Capon.

The recovery in diamond industry confidence was still fragile, De Beers said. There was strong growth in retail sales in North America, India and Europe, sales in the Gulf states, China and Taiwan were reasonable, but Japan, Korea, Thailand and Indonesia had fallen further.

Nevertheless, the CSO had increased modestly the diamonds offered for sale in its latest two "sights", or sales.

BP says world oil stocks still rising

By Robert Corzine

World oil stocks are still rising in spite of attempts by big exporters to rein in production, according to British Petroleum.

Peter Davies, BP's chief economist, said industry expectations of oil demand growth this year continue to weaken, with the market now looking to the Organisation of Petroleum Exporting Countries to cut an additional 1m barrels a day in order to stabilise battered crude markets.

"In Asia as a whole oil demand this year is essentially zero," he said.

Dick Olver, head of exploration and production at BP, said energy demand growth was now dependent on the continuing buoyancy of the US, European and Latin American economies.

In presenting the latest edition of BP's annual "Statistical Review of World Energy", Mr Davies said the source of the present price collapse can be traced to events last year, when "no primary fuel grew above trend", in spite of generally buoyant economic growth.

"A coincidence of negative factors pushed oil stocks to above normal levels, and the imbalance between supply and demand built throughout the year," he said.

BP said world energy consumption outside the former Soviet Union grew by only 1.6 per cent in 1997, half the rate of the previous three years.

Warmer than usual winters in Japan, Europe and the US – the three main energy consumers – accounted for much of the slowdown. World gas consumption fell by 0.2 per cent, its first decline since 1975. Gas production fell by a similar amount.

Oil production rose 3.1 per cent, although consumption was up only 2.1 per cent to 71.7m barrels a day.

Opec members' output grew at the fastest rate since 1990, with the resumption of Iraqi oil exports. Last year, Opec's share of world production increased to 41.5 per cent, its highest level in a decade.

Mr Davies said that even though 1997 was an unusual year, longer-term trends could still be observed. Over the past decade there has been a rising supply of oil and gas, even though prices have been on a downward trend.

Until recently, oil prices had been in a $15-$20 a barrel range for much of the past 10 years. "Pressures are already emerging that could push them back to the $15-$20 range, said Mr Olver, in a reference to Opec's efforts to cut output further.

Forestry emerges as keystone to Latvian economic growth

Foreign investment is essential but the country's patchy environmental record must also be improved, says **Greg McIvor**

For generations, Latvians have viewed the forest as little more than somewhere to pick berries, hunt for mushrooms and cut firewood. But after decades of under-development, forestry is emerging as the keystone of Latvia's economy.

The decision to seek foreign bids to build a $960m pulp mill shows the state is waking up to the resource its forests represent.

Some 42 per cent of Latvia is covered by trees, constituting one of the biggest unexploited timber sources in Europe. Forestry accounted for 36 per cent of exports in 1997, up from 24 per cent the previous year and less than 10 per cent in 1993.

Arnis Melnis, Latvia's chief state forester, says the industry's potential is enormous, but adds: "There is still a lack of understanding that forestry is now a branch of the national economy."

During the Soviet occupation, which ended in 1991, Latvia's forests, like those in neighbouring Estonia and Lithuania, were left to grow as centralist planners focused on agriculture.

Since then, new land rules have expanded private forest ownership and brought opportunities for entrepreneurs to buy concessions to log state-owned woodland.

Nordic forestry groups now use Baltic states as their main source of imported timber. The region accounts for three-quarters of Swedish timber imports, equivalent to more than 8m cubic metres in 1997.

This is because the volume of wood cut annually in Sweden is close to the limit of "sustainability". Without access to extra supplies, Swedish producers would find it harder to compete with their big Nordic and North American rivals.

Some 20 per cent of wood bought by MoDo, a leading Swedish forestry group, comes from the Baltics and Russia. MoDo has been present in the region for several years, both in wood procurement and paper selling.

Nevertheless, the market remains under-developed. Average annual per capita paper consumption is only about 35kg compared with 220kg in Scandinavia.

According to Enn Kukk, MoDo's Baltic sales director, regularly functioning paper mills do not exist in the region as companies lack the expertise to produce such "added value" products.

Limited amounts of Latvian pulpwood are sold abroad, as well as lesser quantities of plywood and chipboard, but exports are dominated by sawn timber.

Development hinges on foreign investment. Alone, Latvia's locally based suppliers have neither the financial clout nor the know-how to compete with big and highly specialised international producers.

"Foreign investment is essential if Latvian managements are to increase their efficiency and develop their businesses," says Mr Melnis.

Roger Göransson, of Silva, a Finnish-Latvian logging joint venture, says: "There are too many small units in Latvia for there to be a strong wood processing industry. But the development is slowly moving towards added value products rather than bulk."

Log jam: Latvian forestry remains largely undeveloped

Achieving this will require more than just foreign investment. Latvia will also have to improve its patchy environmental record.

Faced by the threat of consumer boycotts if they endorse unenvironmental practices, western forestry companies and timber buyers demand increasingly strict standards.

In Latvia, sustainable forestry is the exception rather than the rule, according to Ugis Rotbergs, head of the World Wide Fund for Nature's Riga office.

Soviet-era rules penalise forest owners for adopting eco-friendly techniques. "You get fined if you don't burn the branches left on the ground after the forest is cut. Until two years ago, it was illegal to leave a single tree standing," he says.

One or two foreign buyers have already withdrawn from Latvia, unhappy at the prevalence of clear felling, while companies such as MoDo are lobbying for tighter legislation.

The government insists concerns are overdone. Says one ministry of agriculture official: "The state is interested in a maximum yield from its forest properties but our aim is to preserve biodiversity at present levels."

Bullish US crude inventories lift prices

MARKETS REPORT

By Gary Mead

Moderately bullish US data allowed a trickle of optimism to seep into the otherwise depressed oil markets yesterday, though analysts were quick to point out that global inventories remain at unusually high levels.

The American Petroleum Institute reported a net fall of 1.135m barrels of crude oil for the week to June 12, while the US Department of Energy put the figure as high as 2.7m barrels.

However, the API also said distillate stocks rose by 2.7m to 132m barrels, almost 21m above the same period in 1997. The Department of Energy put total crude stocks at 343.3m barrels, 18.2m more than for the same week last year.

These moderate moves helped raise spirits on the New York Mercantile Exchange, where the July crude future opened 41 cents higher at $12.43 a barrel.

Traders on the International Petroleum Exchange in London followed suit and the August-dated Brent contract later gained 35 cents to $13.07 a barrel.

Meanwhile, the mood among members of the Organisation of Petroleum Exporting Countries was said to be firming in favour of fresh production cuts when they meet in Vienna on June 24.

Gold strengthened on the recovery in the yen, with the London afternoon "fix" of $290.90 a troy ounce $2.50 above that of the morning.

The recent range-bound trading on the London Metal Exchange persisted yesterday, with the biggest loser of the day being three-month tin, which shed $105 to close at $5,910 a tonne. Copper put on $13 by the end to finish at $1,654 a tonne but that was below the day's high.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1306-09	1338-39
Previous	1286-87	1316-17
High/low		1348/1323
AM Official	1310-11	1341-42
Kerb close		1344-44.5
Open int.	287,916	
Total daily turnover	111,107	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1215-20	1215-20
Previous	1212-17	1210-15
High/low		1220/1215
AM Official	1210-20	1210-15
Kerb close		1220-25
Open int.	7,928	
Total daily turnover	1,995	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	523.5-4.5	539-40
Previous	521.5-22.5	537-38
High/low		545/537
AM Official	525.5-6.5	541-42
Kerb close		544-5
Open int.	37,573	
Total daily turnover	9,118	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4400-10	4475-80
Previous	4350-60	4425-30
High/low		4520/4430
AM Official	4440-45	4485-90
Kerb close		4490-95
Open int.	52,303	
Total daily turnover	11,929	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6050-60	5960-65
Previous	6110-20	6030-40
High/low		6040/5910
AM Official	6100-105	5990-95
Kerb close		5905-10
Open int.	16,801	
Total daily turnover	4,339	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1020-21	1044-45
Previous	994.5-5.5	1020-20.5
High/low		1052/1025
AM Official	1015.5-16.0	1040.0-40.5
Kerb close		1046-47
Open int.	84,322	
Total daily turnover	28,768	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1645-46	1657-58
Previous	1622-23	1636-37
High/low		1670/1645
AM Official	1652.5-53.5	1663-65
Kerb close		1655-56
Open int.	173,611	
Total daily turnover	55,720	

■ LME AM Official £/$ rate: 1.6563

LME Closing £/$ rate: 1.6610

Spot: 1.6617 3 mths: 1.6538 6 mths: 1.6455 9 mths: 1.6377

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	74.70	+1.45	74.70	74.10	328	811
Jul	74.90	+1.35	75.10	73.10	4,218	26,721
Aug	75.25	+1.30	75.35	75.00	200	2,489
Sep	75.35	+1.20	75.50	74.60	1,925	10,034
Oct	75.55	+1.20	75.40	75.40	29	1,860
Nov	75.75	+1.20	-	-	3	1,468
Total					7,370	67,263

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	231.70-232.20		
Opening	288.40-288.50		
Morning fix	288.40	174.18	431.16
Afternoon fix	290.90	175.27	433.88
Day's High	292.30-292.70		
Day's Low	288.00-288.30		
Previous close	288.10-288.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.19	6 months	4.06
2 months	4.17	12 months	3.75
3 months	4.15		

Silver Fix	p/troy oz.	US cts equiv.
Spot	318.95	528.00
3 months	-	-
6 months	-	-
1 year	-	-

Gold Coins	$ price	£ equiv.
Krugerrand	288-292	174-176
Maple Leaf	-	-
New Sovereign	67-71	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	293.0	+4.9	293.0	290.5	68	313
Aug	294.9	+4.9	295.6	289.3	23,699	97,872
Oct	297.2	+5.0	297.8	294.0	324	7,061
Dec	299.2	+5.0	299.9	293.8	939	22,177
Feb	300.9	+5.1	300.0	298.1	638	10,939
Apr	302.7	+5.1	-	-	6	7,847
Total					25,805	182,814

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	360.9	+5.0	363.5	354.3	1,804	8,813
Oct	361.9	+5.0	364.9	357.1	145	3,000
Jan	361.4	+5.0	-	-	8	126
Apr	361.4	+5.0	-	-	1	14
Total					1,957	11,953

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	298.00	+21.10	-	-	25	286
Sep	290.00	+21.10	292.00	273.00	95	3,000
Dec	283.00	+21.10	-	-	40	946
Total					95	4,252

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	536.5	+18.2	537.5	517.5	9,032	48,624
Sep	540.8	+18.3	541.0	523.5	1,221	16,401
Dec	545.3	+18.3	546.0	528.5	690	15,658
Jan	546.2	+18.3	-	-	-	26
Mar	547.3	+18.4	544.0	537.0	52	3,160
May	548.7	+18.4	-	-	-	816
Total					10,995	92,339

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	12.91	+0.93	12.93	12.05	58,573	63,398
Aug	13.88	+0.65	13.94	13.30	64,174	107.5k
Sep	14.65	+0.50	14.66	14.17	23,339	54,943
Oct	15.28	+0.46	15.32	14.95	8,723	32,351
Nov	15.67	+0.35	15.67	15.50	4,337	15,153
Dec	16.06	+0.35	16.12	15.87	6,787	44,185
Total					182,192	494,338

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Aug	13.37	+0.65	13.44	13.00	28,062	87,518
Sep	13.88	+0.54	13.90	13.56	7,254	25,847
Oct	14.28	+0.46	14.28	13.99	5,425	18,645
Nov	14.63	+0.41	14.63	14.34	1,444	12,582
Dec	14.90	+0.38	14.90	14.63	1,804	35,901
Jan	15.10	+0.30	15.10	14.93	1,545	20,408
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	37.70	+0.73	37.80	36.40	11,622	38,849
Aug	38.95	+0.83	39.10	37.90	6,430	38,014
Sep	40.60	+0.78	40.60	39.70	4,215	16,982
Oct	42.35	+0.83	42.35	41.55	1,905	14,151
Nov	43.85	+0.88	43.85	43.20	795	13,033
Dec	45.45	+0.78	45.45	44.60	2,387	24,245
Total					39,812	202,171

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	115.75	-1.00	118.00	115.00	9,604	39,842
Aug	120.50	-	121.50	119.25	3,094	18,031
Sep	124.50	+0.50	125.50	123.75	1,175	13,328
Oct	129.00	+1.00	129.50	128.00	1,018	13,882
Nov	132.75	+0.75	132.75	132.00	143	9,665
Dec	135.75	+0.85	137.00	135.00	2,351	35,357
Total						

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	9.120	-0.040	9.150	9.120	50	1,325
Aug	9.100	-0.150	9.110	9.100	35	870
Total					1,586	17,288

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	2.085	+0.076	2.085	1.985	40,261	43,742
Aug	2.085	+0.064	2.110	2.020	13,133	998
Sep	2.110	+0.064	2.130	2.059	4,582	21,107
Oct	2.175	+0.053	2.185	2.130	3,765	21,179
Nov	2.390	+0.048	2.405	2.345	2,875	17,300
Dec	2.610	+0.050	2.625	2.570	3,740	22,524
Total					77,369	271,234

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	47.30	+1.37	47.50	45.95	15,901	30,262
Aug	48.20	+1.34	48.35	46.85	8,909	30,345
Sep	48.60	+1.21	48.70	47.60	3,890	21,954
Oct	48.15	+1.06	48.15	47.50	1,017	6,991
Nov	47.80	+0.61	48.00	47.70	189	2,941
Dec	47.90	+0.49	47.90	47.60	372	4,625
Total					30,430	100,727

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	75.00	+0.25	75.00	74.50	50	821
Sep	73.50	-0.25	-	-	-	165
Nov	75.50	-0.25	75.65	75.40	184	3,724
Jan	77.50	-0.25	77.65	77.25	68	837
Mar	79.50	-0.25	79.50	79.25	22	450
Total					376	6,278

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	283.75	+6.75	289.00	277.25	12,351	43,670
Sep	295.00	+7.00	299.00	289.25	5,487	28,235
Dec	309.50	+6.50	315.00	305.00	3,571	32,750
Mar	322.25	+6.50	325.50	317.00	300	9,856
May	327.00	+5.25	331.50	326.00	52	1,422
Jul	336.50	+6.50	338.00	332.00	286	1,262
Total					22,047	117,195

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	244.50	+7.25	247.00	238.25	33,398	104,836
Sep	249.00	+7.75	252.00	241.25	10,730	64,550
Dec	253.25	+7.25	255.50	247.25	23,054	134,355
Mar	261.75	+7.25	263.50	254.50	1,442	18,095
May	266.75	+7.25	268.50	262.00	622	3,337
Jul	272.00	+6.75	273.00	266.25	192	6,548
Total					69,676	332,928

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.65	-0.10	-	-	-	24
Nov	73.65	-0.10	73.65	73.65	40	966
Jan	75.65	-0.10	75.65	75.65	25	173
Mar	77.65	-0.10	-	-	-	46
May	79.25	-	-	-	-	11
Total					65	1,229

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	625.50	+8.50	635.00	617.00	30,597	49,063
Aug	614.75	+9.00	622.00	607.00	5,688	25,710
Sep	603.00	+11.25	610.00	593.00	1,731	7,866
Nov	598.75	+11.50	605.00	587.50	16,995	55,954
Jan	605.25	+10.75	611.00	597.00	969	5,881
Mar	612.00	+10.75	617.50	603.50	411	2,778
Total					58,892	158,942

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	25.17	-0.15	25.63	25.14	13,202	39,828
Aug	25.34	-0.15	25.78	25.31	6,105	28,797
Sep	25.49	-0.09	25.92	25.46	5,014	18,300
Oct	25.50	-0.10	25.80	25.50	1,176	10,716
Dec	25.51	-0.07	25.95	25.49	7,707	34,702
Jan	25.59	-0.02	25.95	25.59	430	2,994
Total					33,862	138,493

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	162.2	+3.9	164.5	158.0	17,314	35,083
Aug	160.6	+4.9	162.3	158.0	8,008	27,653
Sep	159.3	+4.3	161.5	155.5	2,576	17,664
Oct	158.6	+5.5	160.5	154.0	1,040	13,222
Dec	160.1	+5.2	162.5	155.0	8,111	36,382
Jan	161.5	+5.2	163.0	158.0	473	5,261
Total					37,825	140,585

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	81.0	-	-	-	-	3
Mar	120.0	-	-	-	-	-
Apr	156.5	-1.5	159.0	156.5	43	1,851
May	166.5	-1.6	-	-	-	29
Jun	176.5	-1.6	-	-	-	-
Total					43	1,881

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	905	+5	905	905	4	65
Jul	845	-7	845	830	21	490
Oct	940	-10	950	940	70	376
Jan	970	-10	-	-	-	137
Apr	1010	-10	-	-	-	346
Total					95	1,192

	Close	Prev
BFI	908	888

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	503.50	-1.50	503.50	503.50	4	661
Dec	524.50	-1.50	526.00	524.50	15	143
Total					20	874

FUTURES DATA

All futures data supplied by CMS.

Nuts and seeds Prices from Kenkko London $ per m/t. Iranian pistachios 28/30 raw (in shell) naturally opened (round); crop 1997 at $3,400 FCA or CFR from Iran. Down due to slow sales. Turkish hazelnuts 13/15 and 11/13, for new crop indication $4,500 CFR, up due to higher demand. Indian cashews crop 1998 CFR from top shippers, W320 at $5,600, W240 at $6,300. Market up again due to end of local raw nut and monsoon. US almonds new crop estimate at 560m pounds; standard 5 per cent crop 1997 at $4,150 FAS, crop 1998 at $4,300. Few purchases. Argentine peanuts 40/50 at $760 C&F Europe for new crop.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1066	-3	1075	1062	1,048	17,257
Sep	1091	-3	1100	1088	2,018	25,298
Dec	1115	-3	1125	1113	2,083	38,229
Mar	1137	-1	1144	1137	266	36,322
May	1150	-1	-	-	-	13,522
Jul	1164	-1	-	-	-	6,388
Total					5,531	145,679

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1624	+15	1625	1602	4,493	1,853
Sep	1665	+13	1668	1642	4,887	26,080
Dec	1702	+12	1705	1680	1,523	19,048
Mar	1733	+12	1736	1716	437	10,632
May	1754	+12	1734	1734	58	4,251
Jul	1774	+12	-	-	-	1,582
Total					11,398	71,247

■ COCOA (ICCO) (SDR's/tonne)

Jun 16	Price	Prev. day
Daily	1319.37	1321.82

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1698	+41	1703	1644	3,248	12,637
Sep	1683	+28	1685	1648	3,219	14,705
Nov	1670	+22	1670	1641	638	4,544
Jan	1660	+24	1660	1630	109	924
Mar	1650	+24	1632	1632	13	485
May	1640	+24	-	-	-	149
Total					7,227	33,462

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	118.05	+1.10	119.50	116.80	4,408	9,003
Sep	118.05	+0.85	119.50	117.00	5,617	13,785
Dec	118.75	+0.45	120.00	118.25	1,303	8,185
Mar	118.75	+0.20	120.00	118.50	504	2,963
May	119.25	+0.20	120.50	120.00	103	1,409
Jul	119.75	+0.20	-	-	19	775
Total					12,048	37,167

■ COFFEE (ICO) (US cents/pound)

Jun 16		Prev. day
Comp. daily	n/a	106.31
15 day average	n/a	109.86

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	252.2	+0.6	252.5	250.2	1,571	14,777
Oct	242.8	+1.6	246.0	240.1	665	18,312
Dec	241.2	+2.2	243.0	238.7	236	3,908
Mar	245.2	+2.4	247.5	242.1	638	4,728
May	248.4	+3.5	248.0	247.2	41	740
Aug	250.9	+3.1	-	-	-	790
Total					3,251	43,829

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	7.98	+0.38	8.05	7.65	13,389	52,043
Oct	8.17	+0.35	8.26	7.90	9,794	91,264
Mar	8.73	+0.34	8.75	8.48	4,319	33,454
May	8.87	+0.34	8.88	8.64	342	4,971
Jul	8.93	+0.34	8.87	8.73	39	3,931
Oct	9.01	+0.34	8.97	8.86	82	5,245
Total					28,294	195,862

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	73.31	-0.86	74.40	73.10	3,052	19,129
Oct	74.70	-0.81	75.60	74.65	1,041	4,816
Dec	75.04	-0.55	75.80	75.00	6,527	45,284
Mar	74.69	-0.31	75.20	74.65	1,392	10,010
May	74.20	-0.04	74.50	73.80	706	6,262
Total					13,176	94,697

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	102.50	-1.00	103.45	102.30	1,582	15,531
Sep	106.65	-0.95	107.00	106.00	438	8,693
Nov	109.65	-0.90	110.25	109.50	313	4,696
Jan	112.30	-0.95	112.80	112.80	15	2,233
Mar	115.30	-0.95	115.65	115.50	16	1,128
May	118.30	-0.95	-	-	-	882
Total					2,382	33,111

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jun 17	Jun 16	month ago	year ago
1551.0	1557.3	1631.5	2015.7

■ CRB Futures (Base: 1967 = 100)

Jun 16	Jun 15	month ago	year ago
209.02	208.54	-	-

■ GSCI Spot (Base: 1970 = 100)

Jun 16	Jun 15	month ago	year ago
150.05	148.46	160.50	185.10

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-800	to	546,875
Aluminium alloy	-140	to	52,080
Copper	-1,025	to	252,650
Lead	-75	to	108,875
Nickel	-66	to	58,382
Zinc	-1,350	to	415,350
Tin	+160	to	4,855

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	64.300	-0.775	65.350	64.275	2,941	9,988
Aug	65.450	-0.575	66.100	65.400	6,061	42,629
Oct	64.925	-0.475	65.450	64.750	1,148	23,593
Dec	66.475	-0.225	66.850	66.400	597	7,081
Feb	67.900	-0.225	68.150	67.750	189	3,211
Apr	69.075	-0.175	69.200	69.025	39	1,021
Total					10,975	87,984

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	62.175	-0.625	63.100	62.150	2,525	10,659
Aug	59.225	-0.550	60.300	59.100	1,673	10,322
Oct	53.300	-0.175	53.600	53.000	615	5,223
Dec	53.050	-0.100	53.475	52.850	206	3,778
Feb	55.275	-0.200	55.600	55.200	22	958
Apr	54.125	-0.275	54.525	54.000	8	324
Total					2,504	13,104

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	59.150	-1.900	62.450	59.000	1,220	3,377
Aug	56.675	-2.025	60.000	56.400	657	2,071
Feb	57.375	-0.425	57.500	56.700	7	29
Total					1,884	5,478

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1350	30	63	40	46
1400	14	41	73	72
1450	5	25	114	105
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
1600	103	132	37	61
1700	52	83	84	110
1800	22	48	154	173
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1600	-	121	1	38
1650	48	92	1	59
1700	6	71	8	88
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1050	16	60	1	19
1075	2	46	12	30
1100	1	35	40	44
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1300	77	-	-	-
1350	55	-	-	-
1400	39	73	138	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$11.69-1.74x	+0.62
Brent Blend (dated)	$11.34-1.39	+0.72
Brent Blend (Aug)	$13.42-3.46	+0.615
W.T.I.	$13.92-3.94x	+1.13

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$156-158	
Gas Oil	$113-114	-1
Heavy Fuel Oil	$60-62	+0.5
Naphtha	$117-119	-1
Jet fuel	$124-125	+2
Diesel	$118-119	-4

■ NATURAL GAS (Pence/therm)

Bacton (Jul)	9.08-9.18	-0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

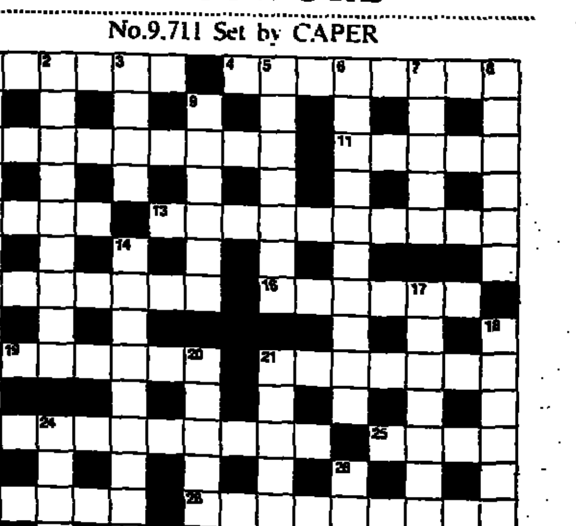
Gold (per troy oz)§	$291.95	+3.60
Silver (per troy oz)§	528.00c	+14.50
Platinum (per troy oz.)	$358.00	+7.00
Palladium (per troy oz.)	$284.00	+8.00
Copper	79.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	24.30r	
Tin (New York)	290.5	-1.0
Cattle (live weight)	88.36p	+1.34*
Sheep (live weight)	110.94p	-21.76*
Pigs (live weight)†	66.15p	-0.56*
Lon. day sugar (raw)	$191.20	-0.20
Lon. day sugar (wte)	$258.00	-4.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jul)¥	45.25p	-0.25
Rubber (Aug)¥	45.25p	-0.25
Rubber (KL RSS No1)	274.50m	-1.00
Coconut Oil (Phil)§	680.0y	+35.0
Palm Oil (Malay.)§	615.00	+12.50
Copra (Phil)§	$415.0y	
Soyabeans (US)	167.0	+1.0
Cotton Outlook'A' index	68.15	-0.05
Wooltops (64s Super)	331p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jun/Jul. x Aug. ¥London Physical. § CIF Rotterdam. & Bullion market close. * Change on week. †Based on 1,440 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,711 Set by CAPER



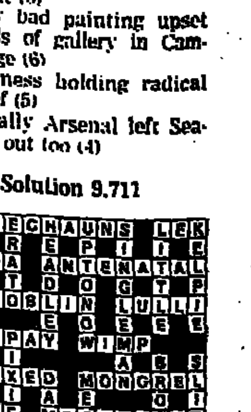
ACROSS

1 Married a doctor that's 25 (6)
4 Deal, say, and draw back 25 (8)
10 Lizard sauce was originally prepared about one (9)
11 Doctor, Tom is damp (5)
12 Second member of gang enters sharp piece of metal – resulting in .... (4)
13 .... or in uncontrolled descent and public brawl (4-3-3)
15 Daily starts to dust, iron and launder, carrying vase (7)
16 Wood, sulphur and aluminium (6)
19 Wet pie for 25 (6)
21 Did he draw game? (7)
23 Sneaky Conservative contrives to send to 25 once more (10)
25 Stir porridge (4)
27 25 that contributes to quelling rebellion (5)
28 Beef disease? (9)
29 Squint to annoy detective (5-3)
30 Definitely not what the totally brave have? (2,4)

DOWN

1 Caper has passage – poem for Australian 25 (8)
2 Stewed gull in ale's 25 (9)
3 Initially a 28 about one 25 (4)
5 Outsize quarries 25s (7)
6 Gobsmacked by upsetting dirt discovered by journalist (10)
7 Board getting approval from two Europeans (5)
8 Vessel broke keel during race? Quite the opposite! (6)
9 A bay has a river between two lakes (6)
14 Deliveries for trendy folk that sleep around (10)
17 A tedious person has one drink in Aussie local (9)
18 List of duties about a duke's old car (8)
20 Crone enters extremely tearfully – being like a 25 freak? (7)
21 Sort of a mat – it is sort of a mat (6)
22 Very bad painting upset heads of gallery in Cambridge (6)
24 Business holding radical belief (5)
26 Initially Arsenal left Seamen out too (4)

Solution 9,711



FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

Tilney (Ireland) Ltd				
20/22 Lower Hatch Street, Dublin 2		00 3531 7805073		
US Mid Cap F ___ 5	$14.59	+1.980	-	

Fleming Private Fund Plc			
International Bond	$10.19	-0.05	-
Foreign & Colonial Emerging Markets Ltd			
Emerging High Yield Inv Fe	$9.36	3.46	-
Foreign & Colonial Emerging Markets Ltd			
F & C Romanian Inv Co	$8.42	—	-
Formosa High Tech Fund			
NAV	$7.80	+0.08	-
Framlington Investment Mgmt (Ireland) Ltd			
Magnus	$21.1325	—	-

IRELAND (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross
ABN AMRO Global Liquidity Funds Plc (x)				
AIB Fund Management Ltd				
Frank Russell Investments (Ireland) Ltd				

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Eurolife Assurance Group

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

صكنا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

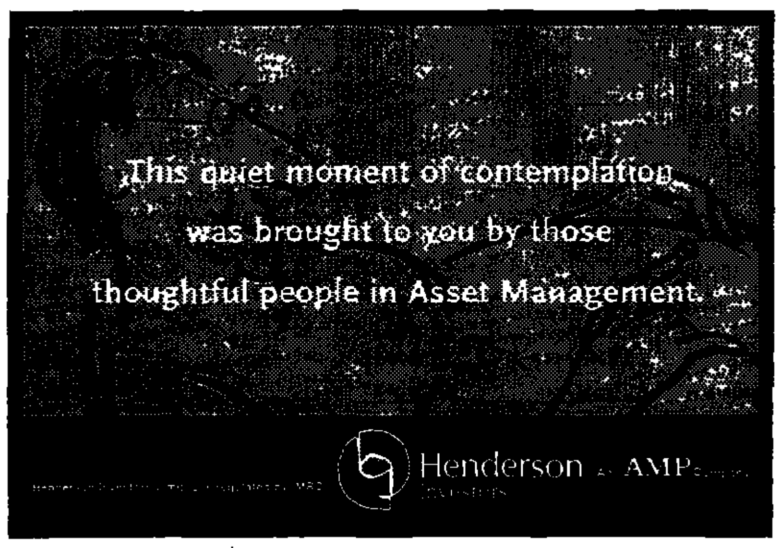
OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY



PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	[illegible]	[illegible]	[illegible]	-	5.7	6.5
Barlow R		[illegible]	[illegible]	[illegible]	[illegible]	-	3.9	9.8
Gold Flds Prop R		[illegible]	[illegible]	[illegible]	[illegible]	-	6.8	12.2
SA Breweries R		[illegible]	[illegible]	[illegible]	[illegible]	-	2.6	♦
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	-	1.5	-
Tiger Oats	†	[illegible]	+18	1100	675	-	2.5	14.8
Tongaat-Hulett R		[illegible]	[illegible]	780	[illegible]	-	3.2	11.5

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		[illegible]	—	[illegible]	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange

♣ FT Free Annual Reports Club

♣ FT Company Focus / Focus Plus

FT Cityline

LONDON STOCK EXCHANGE

Worldwide rally helps Footsie gain 100 points

MARKET REPORT

By Philip Coggan
Markets Editor

The London stock market defied some poor domestic economic data for the second day running and moved higher thanks to a positive international background.

Figures on average earnings – the data which provoked this month's interest rate rise from the Bank of England's monetary policy committee – showed a further acceleration in wage pressure. The annual rate in March moved up to 5.2 per cent, from February's 4.9 per cent; even that figure does not reflect the strength of the private sector, where earnings are growing at 5.9 per cent.

Although the official unemployment figure rose marginally, and unexpectedly, indicating that the employment market might be starting to come off the boil, the data seemed certain to alarm the mpc.

Short sterling futures, the market's vehicle for speculating on interest rate changes, fell again, giving a clear indication that the market expects another rise in interest rates. And the benchmark 10-year gilt dropped by a point for the second day running.

Some analysts continue to argue that the figures are distorted. "We do not worry unduly about the rise in earnings as it is powered entirely by bonuses," said Simon Briscoe, UK economist at Nikko Europe.

"Bonuses, in contrast to higher settlements, are discretionary and non-inflationary in the vast majority of cases," he said. "In addition, the fact that earnings are rising strongly in some sectors which are experiencing low growth rates suggests that factors other than economic strength, such as productivity deals and compensation for reduced profit-related pay are forcing earnings up."

But the stock market's *sang froid* in the face of the figures was mainly the result of overseas news. Asian markets had rallied even before the heavy intervention in the currency markets to support the yen by the Bank of Japan and the US Federal Reserve.

The intervention, which succeeded in driving up the yen to Y137 to the dollar at one point, relieved fears that further Japanese currency weakness would trigger a round of devaluations in Asia, notably in China and Hong Kong.

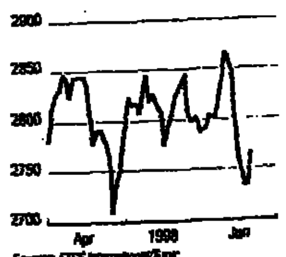
The Frankfurt and Paris markets rebounded by around 2 per cent, and on Wall Street, the Dow Jones Industrial Average was 200 points ahead by the London close.

The international blue chips in the FTSE 100 index were carried higher by this wave of enthusiasm, finishing 103 points higher at 5,832.7. The announcement of a share buy-back by mining group Billiton made it the best performer.

But it was significant that the FTSE 250 index, more heavily weighted towards domestic industrial stocks, had another depressing day. It fell 19.6 points to 5,683.7, bringing its cumulative loss over the last six sessions to 282.5 or 4.6 per cent. The strength of the pound, which remained over DM2.97, weighed on the index. Meanwhile, the SmallCap index edged up 3.6 to 2,712.2.

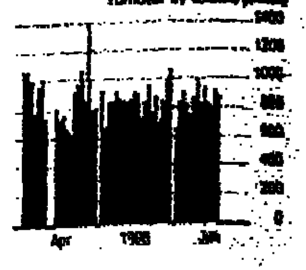
Volume was 938.7m shares by the 6pm count, of which just over half was in non-Footsie stocks.

FTSE All-Share Index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5832.7	+103.0
FTSE 250	5683.9	-19.6
FTSE 350	2829.1	+38.7
FTSE All-Share	2765.85	+35.66
FTSE All-Share yield	2.86	2.88

FT 30	3837.6	+55.0
FTSE Non-Fins p/e	23.11	22.85
FTSE 100 Fut Jun	5839.0	+102.0
10 yr Gilt yield	5.84	5.73
Long gilt/equity yld ratio	2.02	1.94

Best performing sectors

1	Alcoholic Beverages	+5.4
2	Extractive Inds	+5.2
3	Banks: Retail	+2.8
4	Pharmaceuticals	+2.7
5	Consumer Goods	+2.6

Worst performing sectors

1	Paper, Pckg	-2.2
2	Distributors	-2.1
3	Diversified Inds	-1.8
4	Electricity	-1.3
5	Leisure & Hotels	-1.2

Buy-back boost for Billiton

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Plans for a share buy-back at mining group Billiton cheered the market yesterday and sent the shares sharply ahead.

The company, which came to the market last year, said it planned to buy back up to 10 per cent of its shares in a move that would enhance earnings and net asset value per share.

Dealers moved into the stock and it jumped 10¾ or 8.5 per cent to 137¼p.

However, there was speculation that more lay behind the buy-back decision.

Several dealers suggested the move was an attempt to mop up a stock overhang in the market. Last month Dresdner Kleinwort Benson bought a block of shares representing about 4.8 per cent of the company's equity from Sanlam, the South African mutual insurer, and undertook a placing with institutional clients. It was reported that Dresdner failed to place all the stock and retained a sizeable holding.

James Leahy, analyst at T. Hoare, said: "The market was awaiting news of expansion as alluded to in previous statements. Instead, the company's resources are being used for a share buyback at a time when there is a plethora of cheap mining investment opportunities."

Bid speculation returned to retailer Thorn after it announced the sale of its US subsidiary Thorn America to Renters Choice, the second largest US rental company, for $900m.

Thorn said the proceeds of the sale will be "substantially returned" to shareholders. The shares jumped 10½ to 220p, with 4.2m having been dealt by the close.

News of the disposal prompted the return of takeover rumours for the UK group and one analyst said: "This is the kind of company that belongs in private hands rather than being a public company."

Clothes retailer Next, which falls out of the Footsie this month, eased 2½ to 521p, as reports of difficult trading did the rounds.

However, Morgan Stanley, which hosted a dinner for Next management and fund managers on Monday, was said to have reiterated a "strong buy" recommendation.

Marks and Spencer, reported to have been putting on a series of upbeat presentations, jumped 27 to 560p. Analysts suggested that the company's classic clothes lines are doing "comparatively well", as is the foods business.

Taylor Nelson was the worst performer in the FTSE 250. It lost 7½ to 123p as the media group continued to suffer from the cautious trading statement on Tuesday, in which the company talked of a slowing of growth and problems in Asia.

Rexam was off 14½ at 263p amid talk that brokers were eyeing the profits warning from 3M in the US with a view to downgrading their forecasts for the UK packaging group.

The profits warning from Premier Farnell continued to cast its shadow over the market's two biggest electronics distributors. The markdown in Premier's shares added to the 14 per cent fall on Tuesday, and they closed down 15 at 298½p.

Among gloomy comments from brokers yesterday, Merrill Lynch cut its rating from "accumulate" to "neutral" as its analysts shaved forecasts by about 6 per cent.

The other giant in the sector, Electrocomponents, suffered the biggest fall in the FTSE 250 as the stock lost 5 per cent, or 28 to 512p. Electrocomponents had suffered much less than Premier on the day of the warning, and yesterday's fall means its shares have suffered about half as much as Premier Farnell stock.

Logica reached a record high as buying interest was prompted by a combination of factors. The software group announced a contract win in Mexico yesterday morning just as BT Alex Brown was said to have increased its pre-tax forecast for next year by £1m, while traders expect positive news from a meeting the company is holding with analysts next week. The stock touched a record £19 but came off its high to close up 77½ at £18.67½.

Investor sentiment was also encouraged by a rise in US technology shares.

Good news for AIT

Elsewhere in the IT sub-sector, AIT, which specialises in services to the retail financial services sector, exceeded forecasts with its 40 per cent pre-tax profit rise to £2.2m. The shares, which were placed at 150p last June, closed down 11½ at 318½p.

The results prompted analysts' to edge their forecasts ahead, and at the close the shares stood on about 35 times this year's forecast earnings. The company is due to meet institutional investors today.

Nycomed Amersham jumped 32½ to 450p with brokers across the market said to be positive following a series of upbeat presentations.

Brokers remained positive on HSBC in spite of more brokers' profits forecast downgrades. The shares jumped 104 to £15.40.

Dresdner Kleinwort Benson was said to have downgraded current year profit expectations to £4.86bn from £5.03bn and the following year's figure to £4.71bn from £4.92bn.

Standard Chartered was up 20 at 674p with Merrill Lynch said to have urged investors to buy the stock on weakness. The broker was reported to have scaled back current-year profit expectations.

Engineering stocks suffered amid gloomy comments on the strength of sterling, with one broker believed to have said that forecasts were becoming increasingly difficult because of the pound's continued vigour.

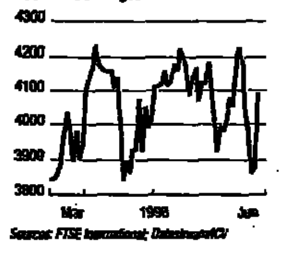
LucasVarity lost some of the 8p it gained on Tuesday following positive comments from house broker ABN Amro that stemmed from an analysts' trip to the company's operations in the US. The stock closed off 3 at 252p.

BTR was off 3 at 174p ahead of a series of meetings with analysts. Positive newsflow from the company is thought unlikely given its exposure to the Asian turmoil.

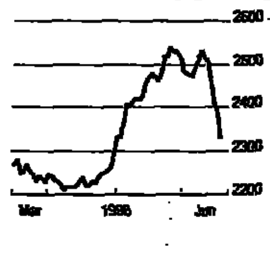
Among the FTSE 250 engineers, Glynwed International eased 4 to 257p while Charter, which last year moved from the diversified industrials sector to the engineering sector, was off a penny at 692½p as the company hosted a two-day visit by analysts and institutional investors.

Best and worst performing FTSE sectors

Alcoholic Beverages



Paper, Packaging & Printing



Source: FTSE International; Datastream/ICV

FT 30 INDEX

	Jun 17	Jun 16	Jun 15	Jun 12	Jun 11	Yr ago	*High	*Low
FT 30	3837.6	3782.6	3775.7	3803.4	3854.9	3014.0	3920.3	3761.9
Ord. div. yield	2.90	2.95	2.95	2.93	2.88	3.65	4.22	2.79
P/E ratio net	23.71	23.32	23.32	23.52	23.87	18.19	25.41	15.80
P/E ratio nil	23.50	23.11	23.11	23.32	23.66	18.01	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3782.6	3807.6	3801.6	3799.6	3798.8	3805.3	3808.9	3805.8	3830.4	3840.0	3781.9

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STOCK MARKET TRADING DATA

	Jun 17	Jun 16	Jun 15	Jun 12	Jun 11	Yr ago
SEAQ bargains	86,544	61,273	68,366	69,134	58,889	45,854
Equity turnover (£m)†	-	2972.6	2587.0	2659.4	2645.5	2582.8
Equity bargains†	-	49,201	54,569	51,590	46,466	42,783
Shares traded (m)†	-	784.0	728.6	724.6	794.7	707.3
Total market bargains‡	-	62,381	66,274	70,077	60,125	-
Total turnover (£m)‡	-	4135.5	3599.2	3939.7	3838.0	-
Total shrs traded (m)‡	*938.7	1066.4	936.7	985.7	1084.6	-
Tradepoint turnover (£m)	35.3	24.1	33.4	26.8	19.8	16.1
Tradepoint shrs traded	10.3	7,935	7,559	8,787	8,972	7.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	883	Total Highs	40	Total contracts	49,659
Total Falls	770	Total Lows	85	Calls	29,756
Same	1,337			Puts	19,903

Jun 17 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est vol	Open int
Jun	5780.0	5838.0	+101.0	5840.0	5753.0	47814	78773
Sep	5852.0	5914.5	+104.5	5925.0	5529.0	34058	117946
Dec	-	5998.0	+104.0	-	-	0	878

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est vol	Open int
Jun	5690.0	5700.0	-105.0	5690.0	5625.0	535	1989
Sep	-	5815.0	-105.0	-	-	0	4640

FTSE 100 INDEX OPTION (LIFFE) (*5831) £10 per full index point

	5650 C	5650 P	5700 C	5700 P	5750 C	5750 P	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P
Jun	186½	1	140½	3	95½	8	59½	15½	27	33½	10½	[illegible]	2½	119	1	169
Jul	286½	75½	258	85	218	96	186	130	157	140½	127½	163	105½	191½	84	221½
Aug	366	135½	330	148½	300	168	270	188	240	205½	208½	228½	184	252	161½	288½
Sep	439	188	408	210	377½	229½	347	249	317	258½	278½	286	259½	308	228	334½
Dec†			579	274½			518	311½			459½	351			393½	397½

Calls 1,637 Puts 2,628

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5675 C	5675 P	5725 C	5725 P	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P
Jun	165½	2½	119	6	77	14	42½	29½	20½	57	8	95	2½	139½	1	187½
Jul	288½	76½	232½	90½	199	106½	168½	136	140½	157	115	171½	94½	198	72	228
Aug	340	139½	314	154½	282	171½	251½	190½	223	211	198	233½	171½	258	147½	283½
Sep	406	177	377	191	346	211	316½	229	290	250	263½	273½	240	300	215	323½
Dec†			534½	272			473½	307			414½	344			358½	388½

Calls 12,785 Puts 5,101 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§–	F.P.	8.40	167½	144½	†ATA Group	145	-1	-	-	-	15.9
–	F.P.	213.1	40	35½	BTR Red Prf 8	35½		4.75	-	16.3	-
4	F.P.	1.21	6	5	†Capital O.M. Wrts	6		-	-	-	-
–	F.P.	0.08	2	1	†Do Warrants	2	[illegible]	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	0.48	25	22	Hamleys B	[illegible]		-	-	-	-
*–	F.P.	52.4	99½	95½	INVESCO Cnd Smlr	99½	+2½	-	-	-	-
330	F.P.	305.8	436	402½	ITNET	435	+17½	W2.09	3.2	0.6	55.6
§200	F.P.	21.4	255	225	†JSB Software Tech	236½		-	-	-	-
§103	F.P.	27.4	180½	114½	JWE Telecom	141½	+1½	N1.54	3.9	1.4	23.7
–	F.P.	18.2	97½	95½	†James B Knowles	96½		10.12	-	3.3	-
–	F.P.	3.56	13	12	Mallo Equip Rent	12½		-	-	-	13.7
*	F.P.	-	100	100	Penalbe Dwng VCT	100		-	-	-	-
–	F.P.	98.4	157½	142½	Ocastics	150	-1½	-	-	-	25.3
–	F.P.	-	140½	129½	Taiwan IT GDR	130½	[illegible]	-	-	-	-
§200	F.P.	151.0	248½	203½	Taylor & Francis	233½		L3.0	2.4	1.6	29.7
§170	F.P.	1,735	200	173	Thomson Travel	173½	-1½	NC8	2.9	2.0	21.1

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jun 16	% chg on day	Jun 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(31)	943.32	+2.1	923.63	1535.77	2.46	-	1535.77	891.23
Regional indices								
Africa (14)	951.49	-0.3	954.38	1674.34	5.40	21.87	1674.34	921.78
Australasia (7)	1044.40	-2.7	1072.84	1704.52	3.03	15.95	1704.52	933.63
North America (10)	937.48	+3.8	903.40	1484.54	1.31	40.20	1574.16	864.86

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jun 17	Day's chge%	Jun 16	Jun 15	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5832.7	+1.8	5729.7	5715.7	4657.0	2.84	2.39	2.02	21.83	79.80	2552.91
FTSE 250	5683.9	-0.3	5703.5	5750.0	4516.2	2.92	2.46	2.00	21.42	70.43	2437.79
FTSE 250 ex IT	5742.3	-0.5	5770.8	5819.3	4526.1	3.00	2.54	2.06	20.23	72.74	2472.21
FTSE 350	2829.1	+1.4	2790.4	2789.3	2256.7	2.86	2.40	2.01	21.76	37.98	2529.89
FTSE 350 ex IT	2832.0	+1.4	2793.1	2791.7	2256.3	2.87	2.42	2.02	21.50	38.24	1298.96
FTSE 350 Higher Yield	2734.1	+1.6	2690.9	2682.0	2187.1	3.92	3.32	1.87	17.09	48.44	2090.25
FTSE 350 Lower Yield	2926.1	+1.2	2890.6	2895.5	2332.5	2.08	1.74	2.21	27.13	29.61	2126.10
FTSE SmallCap	2712.16	+0.1	2708.61	2730.84	2270.52	2.88	2.34	1.57	27.58	28.82	2358.67
FTSE SmallCap ex IT	2721.48	-0.1	2725.03	2748.99	2252.55	3.05	2.47	1.63	25.10	30.21	2390.97
FTSE All-Share	2765.85	+1.3	2730.19	2730.58	2213.78	2.86	2.40	1.98	22.05	36.62	2509.94
FTSE All-Share ex IT	2771.09	+1.3	2735.34	2735.19	2212.84	2.88	2.42	2.00	21.67	37.04	1293.79

FTSE Actuaries Industry Sectors

	Jun 17	Day's chge%	Jun 16	Jun 15	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4519.85	+1.3	4461.69	4463.41	4474.39	3.37	2.91	1.72	21.63	74.28	2079.30
12 Extractive Industries(6)	2819.51	+5.2	2679.15	2698.22	4511.11	4.97	4.57	2.03	12.37	78.82	889.89
15 Oil, Integrated(4)	5094.09	+0.9	5046.75	5042.28	4619.15	3.31	2.83	1.64	23.01	79.87	2410.43
16 Oil Exploration & Prod(12)	3124.04	+0.1	3120.71	3137.13	3700.22	1.82	1.51	1.97	34.77	32.03	1940.89
20 GEN INDUSTRIALS(218)	2228.01	-0.4	2237.72	2248.82	1957.37	3.31	2.90	2.19	17.28	29.68	1308.68
21 Construction(38)	1675.51	-0.8	1689.78	1715.54	1404.78	2.90	2.36	2.65	16.24	19.87	1494.87
22 Building Matls & Merchs(26)	1935.22	-0.1	1936.79	1944.41	1895.65	3.83	3.30	1.78	18.35	31.63	1054.76
23 Chemicals(24)	2821.50	-0.1	2823.50	2854.06	2460.62	3.35	3.12	1.74	21.41	43.57	1445.25
24 Diversified Industrials(10)	1376.20	-1.8	1401.15	1388.26	1316.70	3.94	3.71	2.34	13.57	20.65	845.72
25 Electronic & Elect Equip(25)	2662.92	-0.7	2680.99	2708.80	2049.00	3.25	2.63	1.61	23.90	22.44	1467.91
26 Engineering(62)	2904.13	-0.2	2908.55	2915.41	2804.61	3.23	2.86	2.46	15.71	38.93	1873.26
27 Engineering, Vehicles(10)	4109.40	+0.1	4105.33	4056.38	2932.61	2.17	1.98	3.35	17.20	42.57	2254.87
28 Paper, Pckg & Printing(23)	2331.30	-2.2	2382.57	2416.01	2111.01	4.01	3.41	2.36	13.20	38.81	1053.44
30 CONSUMER GOODS(90)	5886.28	+2.6	5739.44	5755.80	4560.35	2.54	2.22	1.78	27.59	76.32	2330.13
32 Alcoholic Beverages(6)	4089.13	+5.4	3879.20	3865.50	3277.37	3.34	2.82	1.80	23.43	67.92	1602.40
33 Food Producers(25)	4269.96	+1.3	4214.88	4204.07	2987.70	2.49	2.12	2.01	24.94	53.95	2072.51
34 Household Goods & Texts(23)	3402.60	-0.6	3422.19	3438.28	2982.99	3.25	2.90	1.98	19.37	52.66	1436.63
36 Health Care(13)	2522.48	+2.5	2459.86	2450.16	2288.56	1.98	1.83	2.33	27.06	30.39	1616.82
37 Pharmaceuticals(20)	9803.57	+2.7	9548.32	9618.81	7309.75	1.88	1.66	1.70	39.14	95.15	3506.50
38 Tobacco(3)	4796.59	+1.9	4706.99	4703.27	4695.45	5.36	4.74	1.75	13.29	130.10	1342.52
40 SERVICES(277)	3565.02	+1.0	3528.94	3524.01	2658.19	2.42	1.98	1.99	25.97	33.74	1961.76
41 Distributors(29)	2695.26	-2.1	2751.93	2833.62	2748.18	3.61	2.98	1.96	17.68	45.70	1062.30
42 Leisure & Hotels(26)	3994.27	-1.2	4041.75	4057.24	3390.20	2.52	2.01	2.47	20.14	52.37	2262.64
43 Media(41)	4676.72	+0.5	4654.83	4663.38	4209.19	2.21	1.86	2.27	24.89	50.21	1771.88
44 Retailers, Food(13)	3060.35	+2.2	2993.93	2993.56	2126.12	2.91	2.33	2.14	20.05	44.82	2090.34
45 Retailers, General(48)	2395.18	+0.8	2376.21	2372.44	2109.61	3.14	2.53	2.02	19.72	36.86	1454.86
46 Telecommunications(10)	4088.79	+2.3	3996.99	3959.21	2377.12	2.15	1.78	1.50	38.74	7.79	1989.89
47 Breweries, Pubs & Rest.(24)	4388.77	+1.3	4331.40	4288.11	3181.14	2.76	2.21	2.37	19.12	46.06	2242.72
48 Support Services(62)	5247.28	+0.8	5206.86	5186.03	3038.02	1.15	0.97	2.55	42.73	26.22	3457.17
49 Transport(25)	3821.51	+0.4	3807.94	3848.55	2852.63	2.78	2.26	1.54	29.20	47.26	1707.12
60 UTILITIES(22)	3816.67	+0.1	3811.84	3807.28	2876.12	4.35	3.48	1.68	17.07	71.70	1831.03
62 Electricity(8)	4252.16	-1.3	4308.51	4337.18	3102.42	4.74	3.79	1.90	13.89	94.34	2503.74
64 Gas Distribution(2)	2877.82	+1.6	2833.25	2765.31	1924.48	2.26	1.81	‡	‡	26.03	1663.30
68 Water(12)	3391.10	+1.3	3346.91	3363.12	2498.46	5.47	4.38	2.13	10.70	74.24	2098.77
69 NON-FINANCIALS(628)	2822.10	+1.1	2790.15	2792.64	2247.76	2.83	2.40	1.91	23.11	35.02	2289.89
70 FINANCIALS(107)	5259.87	+1.8	5168.17	5150.57	4224.97	3.03	2.51	2.27	18.18	88.05	2435.39
71 Banks, Retail(12)	7555.04	+2.8	7349.95	7331.08	6404.78	3.13	2.50	2.32	17.20	126.41	2648.25
73 Insurance(16)	2519.09	+1.1	2491.96	2486.68	1716.20	3.31	3.13	2.13	17.72	47.18	2082.93
74 Life Assurance(8)	6695.33	+0.2	6683.91	6822.14	4786.54	2.81	2.42	2.60	17.15	108.92	2891.64
77 Other Financial(26)	4810.11	-0.3	4825.90	4824.12	3169.63	2.26	1.86	2.22	24.76	61.88	2933.91
79 Property(45)	2222.58	-0.3	2228.44	2229.19	1988.48	2.94	2.44	1.49	28.48	29.90	1462.94
80 INVESTMENT TRUSTS(114)	3973.34	+1.3	3923.76	3950.09	3421.30	2.03	1.65	1.18	51.84	36.08	1446.74
89 FTSE All-Share(850)	2765.85	+1.3	2730.19	2730.58	2213.78	2.86	2.40	1.98	22.05	36.62	2509.94
105 FTSE All-Share ex IT(736)	2771.09	+1.3	2735.34	2735.19	2212.84	2.88	2.42	2.00	21.67	37.04	1293.79
Information Technology	1737.00	+1.9	1704.54	1704.81	–	0.50	0.40	3.49	71.71	3.58	1741.43
FTSE Fledgling	1478.36	+0.2	1475.02	1489.31	1282.22	3.01	2.44	1.41	28.53	15.89	1638.14
FTSE Fledgling ex IT	1514.13	-0.1	1515.15	1529.93	1280.66	3.30	2.68	1.47	25.77	17.80	1684.57
FTSE AIM	1122.3	.....	1122.2	1128.8	1063.4	1.20	0.95	0.47	80.00†	4.35	1037.38

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	–	5776.4	5775.1	5766.6	5764.7	5771.5	5791.8	5785.9	5832.8	5838.6	5741.6
FTSE 250	–	5701.3	5698.4	5695.5	5690.5	5687.8	5687.8	5687.4	5684.0	5702.8	5683.1
FTSE 350	–	2808.6	2807.8	2804.2	2803.0	2805.4	2813.4	2811.0	2829.1	2831.3	2795.0
FTSE SmallCap	2711.05	2711.46	2711.90	2711.10	2710.47	2710.05	2711.06	2712.02	2712.09	2712.50	2709.82
FTSE All-Share	–	2747.03	2746.32	2742.97	2741.83	2743.99	2751.40	2749.28	2765.89	2767.91	2734.54

Time of FTSE 100 Day's high: 16:11:45 Day's low: 8:33:00. FTSE 100 1998 High: 6105.8 (06/04/98) Low: 5088.7 (12/01/98)
Time of FTSE All-Share Day's high: 16:12:00 Day's low: 8:33:00. FTSE All-Share 1998 High: 2888.10 (08/06/98) Low: 2380.32 (12/01/98)

Further information is available on http://www.ftse.com
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† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Name change: Taylor Nelson AGB now Taylor Nelson Sofres (FTSE SmallCap).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for the FTSE 100 constituents [illegible]

صكنا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 17 / Sch)

BELGIUM/LUXEMBOURG (Jun 17 / Frs.)

CZECH REP (Jun 17 / Koruna)

DENMARK (Jun 17 / Kr)

FINLAND (Jun 17 / Mka)

FRANCE (Jun 17 / Frs.)

GERMANY (Jun 17 / Dm.)

GREECE (Jun 17 / Drachma)

ITALY (Jun 17 / Lira)

NETHERLANDS (Jun 17 / Fl.)

NORWAY (Jun 17 / Kroner)

POLAND (Jun 17 / Zloty)

PORTUGAL (Jun 17 / Escudo)

SPAIN (Jun 17 / Pts.)

SWEDEN (Jun 17 / Kronor)

SWITZERLAND (Jun 17 / Frs.)

TURKEY (Jun 17 / TL Lira)

PACIFIC

JAPAN (Jun 17 / Yen)

AUSTRALIA (Jun 17 / Aus$)

HONG KONG (Jun 17 / H.K.$)

INDONESIA (Jun 17 / Rupiah)

MALAYSIA (Jun 17 / MYR)

NEW ZEALAND (Jun 17 / NZ $)

SINGAPORE (Jun 17 / S$)

SOUTH KOREA (Jun 17 / Won)

TAIWAN (Jun 17 / TW $)

THAILAND (Jun 17 / Baht)

AMERICAS

CANADA

TORONTO (Jun 17 / Can $)
4 pm close

MONTREAL (Jun 17 / Can $)
4 pm close

MEXICO (Jun 17 / Peso)
12:30 pm

AFRICA

SOUTH AFRICA (Jun 17 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjuction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JUNE 16 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JUNE 15 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year - ago (approx)
Australia (72)	173.27	-0.8	155.39	157.95	161.96	194.59	-1.7	4.07	174.89	158.38	161.58	164.67	198.02	243.87	173.27	235.13
Austria (23)	228.72	0.6	205.12	208.50	213.86	213.86	-0.2	1.59	227.29	206.06	210.24	214.26	214.12	253.73	181.60	195.35
Belgium (25)	356.68	2.6	319.87	325.15	333.41	326.32	1.8	2.12	347.72	315.24	321.63	327.78	320.72	364.43	234.39	254.52
Brazil (26)	203.96	1.0	182.91	185.93	190.65	433.43	1.0	2.36	201.97	183.10	186.81	190.39	429.27	322.44	184.94	288.98
Canada (120)	225.77	1.0	202.47	205.81	211.04	240.29	0.8	1.66	223.57	202.89	206.80	210.75	238.50	248.78	199.10	212.19
Denmark (34)	500.26	1.6	448.64	456.04	467.62	465.97	0.8	1.38	492.19	446.21	455.26	463.96	462.28	521.81	375.32	388.97
Finland (28)	401.14	0.5	359.75	365.68	374.97	450.95	-0.4	1.99	399.24	361.95	369.29	376.35	461.63	451.12	267.59	276.44
France (78)	314.66	0.7	282.39	287.04	294.33	297.79	-0.1	1.98	312.58	283.38	289.13	294.66	298.06	335.75	217.48	227.82
Germany (58)	291.64	1.7	261.55	265.88	272.61	272.61	0.8	1.22	286.84	260.05	265.32	270.40	270.40	307.24	204.89	217.51
Greece (37)	273.01	4.9	244.84	248.88	255.20	598.98	3.7	1.54	260.24	235.93	240.71	245.32	577.77	307.94	260.24	–
Hong Kong, China (66)	220.89	1.0	198.10	201.37	206.48	219.60	0.8	7.18	218.78	198.35	202.37	206.24	217.53	580.03	218.78	503.96
Indonesia (27)	24.90	-5.0	22.33	22.70	23.28	232.18	-1.8	3.01	26.20	23.76	24.24	24.70	236.31	254.90	24.90	245.54
Ireland (16)	511.01	0.4	458.28	465.84	477.67	513.96	-0.4	1.89	509.05	461.50	470.85	479.86	518.08	560.44	348.43	354.64
Italy (54)	159.16	1.7	142.73	145.09	148.77	210.49	0.9	1.33	156.47	141.86	144.73	147.50	208.69	177.15	91.89	92.30
Japan (480)	83.52	0.6	74.90	76.13	78.07	76.13	-0.9	1.03	83.04	75.26	76.81	78.27	76.81	141.12	83.04	139.46
Malaysia (106)	116.47	-3.0	104.45	106.18	108.87	181.80	-3.9	3.50	120.07	108.86	111.06	113.19	189.15	527.08	113.56	519.06
Mexico (29)	1315.86	3.0	1180.08	1199.54	1230.01	12890.73	2.1	1.89	1278.19	1158.80	1182.28	1204.89	12626.45	1901.98	1278.19	1522.21
Netherlands (19)	502.77	1.2	450.89	458.32	469.97	465.14	0.4	1.99	498.79	450.39	459.51	468.30	463.39	532.74	385.56	394.22
New Zealand (14)	56.33	-0.5	50.51	51.35	52.65	60.20	-0.8	5.06	56.63	51.34	52.38	53.38	60.71	96.47	58.33	91.23
Norway (38)	295.94	0.7	265.40	269.78	276.63	306.91	0.0	2.04	293.94	266.48	271.88	277.08	307.03	374.64	281.62	308.85
Philippines (22)	70.85	-0.5	63.54	64.59	66.23	147.77	-1.9	1.41	71.19	64.54	65.85	67.11	150.60	172.38	57.54	166.68
Portugal (18)	267.71	0.8	240.08	244.04	250.24	337.05	-0.1	1.13	265.70	240.89	245.77	250.47	337.37	299.39	265.70	–
Singapore (42)	133.81	-1.1	120.00	121.98	125.06	107.26	-1.7	2.84	135.26	122.63	125.12	127.51	109.15	401.75	133.81	383.92
South Africa (42)	234.75	0.2	210.52	213.98	219.43	275.45	0.0	3.13	234.35	212.48	216.77	220.91	275.45	384.24	227.66	361.36
Spain (31)	366.14	1.6	328.36	333.77	342.25	423.27	0.8	1.81	360.35	326.69	333.31	339.69	419.93	398.54	238.28	256.17
Sweden (49)	557.79	0.0	500.23	508.48	521.40	664.39	-0.7	1.76	557.87	505.76	516.01	525.88	668.87	615.21	439.98	488.22
Switzerland (30)	388.21	1.4	348.15	353.89	362.88	360.37	0.5	1.14	382.90	347.13	354.17	360.94	358.45	414.95	265.85	300.55
Thailand (36)	12.69	-0.5	11.38	11.57	11.86	21.29	-1.8	12.62	12.75	11.56	11.80	12.02	21.68	89.09	12.69	54.40
United Kingdom (205)	373.47	1.2	334.93	340.46	349.10	334.93	0.1	2.96	369.04	334.57	341.35	347.88	334.57	401.94	300.08	308.36
USA (631)	444.27	1.0	398.42	404.99	415.26	444.27	1.0	1.45	439.92	398.83	406.92	414.70	439.92	462.18	356.22	361.61
Americas (806)	400.25	1.0	358.95	364.87	374.14	338.62	1.0	1.47	396.29	359.28	366.56	373.57	335.32	418.95	326.02	330.79
Europe (743)	349.52	1.3	313.46	318.62	326.72	331.91	0.3	2.04	345.15	312.91	319.25	325.35	330.74	368.89	265.25	268.01
Eurobloc (350)	100.89	1.4	101.68	109.36	101.95	101.97	0.5	1.67	99.54	101.41	109.47	101.43	101.43	106.98	99.54	–
Nordic (149)	489.19	0.4	438.71	445.94	457.27	506.10	-0.3	1.78	487.24	441.73	450.88	459.30	507.74	538.56	388.51	400.30
Pacific Basin (867)	88.79	0.4	79.63	80.94	82.99	81.07	-0.9	1.85	88.45	80.19	81.81	83.38	81.79	158.99	88.45	156.56
Euro-Pacific (1610)	197.47	1.0	177.09	180.01	184.58	175.80	0.0	1.99	195.44	177.19	180.78	184.24	175.75	216.04	172.09	203.07
North America (751)	430.14	1.0	385.75	392.11	402.07	430.49	1.0	1.46	425.83	386.15	393.97	401.51	426.33	448.61	347.02	352.40
Europe Ex. UK (538)	325.98	1.3	292.34	297.16	304.71	320.11	0.5	1.59	321.79	291.74	297.65	303.34	318.61	348.53	236.79	241.28
Europe Ex. Eurobloc (393)	95.64	1.2	96.39	103.67	98.85	98.67	0.2	2.43	94.53	96.31	103.97	96.33	98.50	100.97	94.53	–
Europe Ex. UK Ex. Eurobloc (188)	96.95	1.1	97.71	105.09	97.97	98.53	0.3	1.37	95.88	97.68	105.45	97.70	98.22	104.20	95.88	–
Pacific Ex. Japan (387)	142.99	-0.4	128.34	130.35	133.66	152.35	-0.9	5.15	143.55	130.14	132.78	135.32	153.75	318.98	142.99	306.56
World Ex. Eurobloc (2108)	94.13	0.9	84.41	85.81	87.98	95.55	0.6	1.72	93.25	84.54	86.25	87.90	95.01	100.18	93.25	–
World Ex. US (1827)	199.89	1.0	179.26	182.22	186.85	187.86	0.1	1.99	197.83	179.36	182.99	186.49	187.70	220.18	175.30	206.71
World Ex. UK (2253)	269.82	1.0	241.98	245.97	252.21	250.01	0.6	1.56	267.18	242.22	247.13	251.86	248.49	287.02	234.24	251.18
World Ex. Japan (1978)	375.28	1.1	336.54	342.09	350.78	370.47	0.7	1.78	371.34	336.66	343.48	350.05	367.88	394.39	309.23	315.93
The World Index (2458)	278.58	1.0	249.83	253.95	260.40	257.70	0.8	1.71	275.79	250.03	255.10	259.97	256.27	296.57	241.30	255.94

Emerging markets: IFC investable indices

Dollar terms

Jun 16 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	674.20	-4.8	-21.7
Brazil	400.59	+1.0	-17.0
Chile	515.42	-1.2	-19.8
Colombia[1]	496.54	-5.8	-38.8
Mexico	575.43	+2.3	-27.0
Peru[2]	195.59	-0.7	-11.7
Venezuela[3]	465.17	-8.2	-47.0
East Asia			
China[4]	33.84	-2.5	-36.8
Korea[5]	21.64	-2.4	-9.9
Philippines	100.79	+0.4	-10.6
Taiwan, China[6]	113.89	+2.0	-19.3
South Asia			
India[7]	66.77	-0.6	-19.9
Indonesia[8]	11.12	-4.2	-67.0
Malaysia	65.25	-3.0	-28.4
Pakistan[9]	126.79	+0.1	-48.9
Sri Lanka[10]	98.94	+0.2	-15.7
Thailand	36.51	-0.8	-22.4
Europe/Mideast/Africa			
Czech Rep	48.51	+2.3	-11.3
Egypt	77.99	-1.8	-16.3
Greece	497.38	+4.8	+53.5
Hungary[11]	296.21	-0.3	-5.9
Israel	125.95		+3.5
Jordan	218.92	+0.1	+4.1
Morocco	165.35	+0.7	+26.9
Poland[12]	662.61	+1.5	+11.0
Portugal	286.93	+0.7	+40.7
Russia	68.00	+13.8	-54.3
S Africa[13]	171.77	+0.2	-4.5
Slovakia	58.90	-2.9	-42.6
Turkey[14]	263.36	+3.5	-15.6
Zimbabwe[15]	242.73	-0.3	-3.6
Regions			
Composite	203.91	+0.8	-17.1
Latin America	528.08	-0.1	-22.8
Asia	79.56	-0.6	-26.2
EMEA	142.08	+1.8	-3.8
Europe	178.14	+3.7	-8.5
Easten Europe	80.77	+8.0	-35.3
ME & Africa	70.08	+0.1	-2.0

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices.

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4 pm close June 17

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial. d-new yearly low. P/E price-earnings ratio. sd- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jun 16	Jun 15	Jun 12	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8665.29	8627.93	8834.94	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	105.16	104.86	105.08	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3380.16	3336.82	3378.94	3686.02 (16/4)	3194.35 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	290.99	292.01	288.42	293.79 (11/6)	262.66 (9/1)	293.79 (11/6/98)	16.53 (8/7/32)

DJ Ind. Day's high 8761.34 (8818.99) Low 8524.55 (8586.32) (Theoretical) Day's high 8675.51 (8831.95) Low 8560.88 (8823.19) (Actual)

Standard and Poors	Jun 16	Jun 15	Jun 12	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1087.59	1077.01	1098.84	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials¶	1270.09	1254.08	1278.37	1311.46 (22/4)	1077.40 (9/1)	1311.46 (22/4/98)	3.52 (30/6/32)
Financial¶	129.81	129.86	132.99	140.63 (14/4)	110.65 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	558.92	554.89	560.87	585.82 (22/4)	487.47 (9/1)	585.82 (22/4/98)	4.64 (25/4/42)
Amex Comp	688.66	683.68	687.40	793.87 (22/4)	646.41 (12/1)	793.87 (22/4/98)	524.28 (16/7/98)
NASDAQ Comp	1753.12	1715.75	1745.05	1917.81 (22/4)	1503.22 (9/1)	1917.81 (22/4/98)	54.87 (3/10/74)
Russell 2000	436.37	433.86	441.59	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Jun 12	Jun 5	May 29	Year ago
Dow Jones Ind. Div. Yield	1.61	1.58	1.60	1.64

	Jun 10	Jun 3	May 27	Year ago
S & P Ind. Div. yield	1.32	1.35	1.33	1.69
S & P Ind. P/E ratio	31.02	30.20	30.60	23.32

US DATA

MARKET ACTIVITY

Volume (million)	Jun 16	Jun 15	Jun 12
NYSE	884.670	595.920	633.900
Amex	26.519	26.578	27.058
NASDAQ	688.198	638.030	753.898

NYSE	Jun 16	Jun 15	Jun 12
Issues Traded	3,523	3,521	3,504
Rises	1,849	723	1,1068
Falls	1,151	2,373	1,885
Unchanged	523	425	513
New Highs	36	47	38
New Lows	17	702	265

NYSE TRADING ACTIVITY — Volume : 854,670,800

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Compaq	8,117,000	28¼	+1¼
IBM	7,708,500	110	−2¾
NTelo	6,555,700	53¾	−¼
BayNtwks	6,328,400	30¾	−¼
PhMorr	5,709,000	36¼	−½
Seagte	4,793,100	19¼	+¼
Cendnt	4,353,800	19¾	+⅞
Travlr	4,188,300	58⅝	
Fst Union	4,161,300	60¼	+1⅝
Telebras	4,084,800	108¾	+5¼

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Solectron	40¾	+5¼	+14.6
MicronTech	22¾	+2¼	+10.6
Trident	52	+4¼	+8.6
SCI Systm	34¼	+2¾	+7.5
Downs			
Memper	27¼	−10¼	−27.5
Springind	48¾	−7⅛	−13.3
Coleman	13¾	−1¼	−8.7
Best Buy	35⅜	−3¼	−8.0

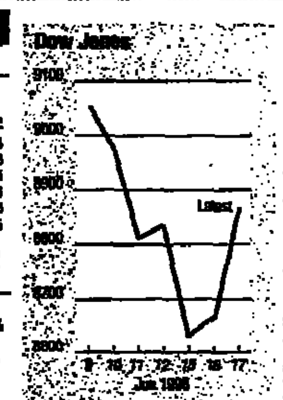
NASDAQ TRADING ACTIVITY — Volume :688,198,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
DellComp	16,885,800	84⅜	+4⅞
Intel	16,602,100	69⅞	+2⅞
Micsft	14,726,300	85⅞	+3⅞
3Com	12,480,700	25⅜	+1⅝
Novell	10,460,300	13	+1
ApplMat	8,147,300	29¾	+1⅜
CiscoSys	7,823,400	75¾	+1¾
WrldCm	7,583,600	44	+⅝
TCI GpA	7,187,100	33⅜	+1¼
Amzn.com	6,498,800	73¾	+7¾

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
TecumsehPdts	21	+2½	+13.5
MC Com	41¼	+4¾	+11.9
ActaPrice	31	+3¼	+11.2
JD Edwds	36¾	+3¾	+11.1
Downs			
Valmont	16¾	−1¼	−6.5
Filenet	23¾	−2¼	−8.2
DuraPh	24	−2⅛	−8.1
STAR Tel	23¾	−2¼	−8.0



JAPAN

	Jun 17	Jun 16	Jun 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14715.36	14720.38	14825.17	17264.34	14664.44	38915.9	85.25

Day's high: 14880.85. Day's low: 14678.28.

TOKYO TRADING ACTIVITY — Volume : 404,000,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
LTCB	45,635,000	123	−30
Np Steel Cp	8,602,000	222	+1
Fuji Hvy Inds	7,618,000	690	+21
Daiwa Bk	7,190,000	220	−16
Sumo Mtl Ind	6,808,000	210	
Sakura Bk	6,983,000	359	−16
Ishikwa Seis	6,705,000	360	+16
Np Credit Bk	6,365,000	125	−1
Hitachi	5,343,000	856	−8
Yuasa Cp	6,103,800	236	+20

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Np Kasei Chm	188	+50	+36.2
Nitto Seiko	170	+41	+31.8
Hyakkou Sngy	145	+34	+30.6
Jp Steel Wk	144	+22	+18
Nemic Lmbda	1767	+247	+16.3
Tokai Senko	280	+39	+15.5
Pacific Ind	545	+73	+15.5
Downs			
LTCB	123	−30	−19.6

GERMANY

	Jun 17	Jun 16	Jun 15	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5709.36	5591.57	5527.3	5779.09	4087.28	5779.09	931.18

Day's high: 5711.92. Day's low: 5675.38.

FRANKFURT TRADING ACTIVITY — Volume : 14,249,031

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Daimler–Benz	848,763	172.5	+4.2
Lufthansa	461,898	47.1	+0.5
Siemens	410,804	111	+2.4
Hoechst	408,295	82.75	+2.75
Veba	398,328	122.4	+6.4
Deutsche Tel	359,331	47.05	−0.35
BASF	351,641	81.35	+1.65
RWE Pf	316,881	72.5	+5.3
Commerzbk	311,859	69.2	+1.7
Deutsche Bk	288,483	145.9	+0.6

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
CEAG Ind	471	+131	+38.5
Kugel Fisr Pf	354	+39	+12.4
Alcatel Sel	325	+35	+12.1
Reichelt	22.5	+2.1	+10.2
I & I	189	+14	+8
Singulus	180.25	+13.25	+7.9
Downs			
Fresenius	320	−19	−5.6
Heritz Intl	135	−7.5	−5.3

FRANCE

	Jun 17	Jun 16	Jun 15	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4092.92	4013.28	4005.33	4206.80	2862.54	4206.8	984.61

Day's high: 4094.17. Day's low: 4038.56.

PARIS TRADING ACTIVITY — Volume : 543,848,180

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
France Tel	1,813,850	401.1	+7.3
Elf Aquitaine	1,448,185	784	+17
Alcatel Alst	1,065,958	1190	+36
Rho–Plnc A	920,569	329.9	+3.4
Paribas	852,887	595	+11
Bq Nat Paris	830,985	481.5	+14.7
Axa–UAP	824,885	655	+12
Usinor	817,689	100	+2.1
Michelin B	731,391	356.5	+3.7
Total B	703,187	724	+14

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Omnicom	685	+70	+11.8
Cyrano	155	+16	+11.4
Softbiv	149	+13	+9.6
Gaz et Anjou	3480	+300	+9.4
Downs			
Normagro	33.05	−43.95	−57.1
Geerts	18.1	−6.6	−26.7
Sextant Avion	230.4	−25.6	−10
Cie Equitage	324.9	−35	−9.7

UK

	Jun 17	Jun 16	Jun 15	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5832.7	5729.7	5715.7	6105.80	5068.80	6105.8	986.9

Day's high: 5838.8. Day's low: 5729.7.

LONDON TRADING ACTIVITY — Volume : 936,780,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
UK Estates	21,920,930	27	+½
Shell	21,878,730	420	+2
BT	20,967,940	880½	+26½
Dixons	18,832,820	531	−6½
Tanneris	18,193,790	2	−¼
Vodafone	13,990,810	705	+6½
Standard Chtd	13,087,000	674	+20
Dana Pet	12,635,280	17¼	+¼
Pilkington	12,057,550	124½	+1½
BTR	11,678,270	174	−3

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Govett Oriental	81	+6½	+8.7
Billiton	137¼	+10¼	+8.5
Hycorand	450	+32¼	+7.8
Downs			
ISA Intl	47	−21½	−34.4
Cebon (A) A	195	−50	−20.4
Albion	64	−11	−14.7
Drew Sci	88½	−10	−10.2
Amber Ind	120	−13½	−10.1

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1097.50	1097.00	+9.00	1098.00	1096.00	51,893	129,785
Sep	1099.40	1107.00	+7.500	1109.00	1106.50	191,098	310,862

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	14840.0	14800.0	+140.0	14850.0	14630.0	24,010	161,280
Dec	14800.0	14860.0	–	14600	14600	–	4,397

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	4063.5	4097.0	+86.5	4099.0	4057.0	21,548	50,053
Jul	4064.0	4102.5	+87.0	4102.0	4062.5	2,056	3,016

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	5680.5	5741.0	+108.0	5751.5	5686.5	46,420	112,285
Sep	5734.5	5791.0	+113.5	5801.0	5719.5	26,486	43,335

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	750.00	761.00	+17.75	763.00	747.00	38,590	97,931
Jul	752.25	764.00	+16.95	764.50	750.50	13,319	33,341

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	7451.1	7574.0	+176.0	7583.9	7449.0	9,917	15,910
Jul	7450.0	7575.0	+175.0	7584.0	7450.0	5,250	15,898

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Jun 17	Jun 16	Jun 15	1998 High	1998 Low	Yield	P/E
Argentina	General	19700.53	18836.28	(c)	23485.47 23/3	18237.40 2/1	3.4	18.9
Bolsa quickly picked up lost territory on ADR strength in New York.								
Australia	All Ordinaries	2549.3	2524.9	2567.5	2881.40 18/4	2524.90 16/6	3.6	18.7
	All Mining	557.3	548.6	560.8	713.10 23/4	548.60 16/6		
Recovered with firmer local dollar. Resources bounced back 1.5 per cent and banks and media sectors also outperformed.								
Austria	Credit Aktien	(c)	537.38	(c)	594.34 26/5	437.44 13/1	1.7	15.6
	ATX Index	1491.10	1483.61	1466.88	1628.56 26/5	1245.89 13/1		
Shares edged higher in slipstream of other bourses as ATX index readied itself to challenge resistance at 1,500 points.								
Belgium	BEL20	3339.12	3294.07	3252.06	3341.61 11/6	2357.78 10/1	1.7	21.5
Bel-20 candidates Tessenderlo, D'Ieteren and Almanij at centre of attention as funds bought the stocks ahead of listing.								
Brazil	Bovespa	9771.0	9249.0	9074.0	12289.80 15/4	8874.00 15/6	na	na
Strong early performance encouraged by Wall Street surge and rally in Japanese yen.								
Canada	TSE 100	444.43	438.99	436.02	475.63 25/5	380.03 12/1	1.7	21.3
	Metals Mnls	3439.22	3384.38	3335.52	4390.81 10/3	3335.52 15/6		
	Composite	7233.30	7143.71	7104.50	7822.38 22/4	6239.86 12/1		
	Portfolio§§	3704.73	3657.80	3640.12	3985.81 25/5	3234.41 12/1		
Dollar's slide against yen helped push gold stocks higher, reversing losses of recent sessions.								
Chile	IGPA Gen¶	4121.32	4089.22	4125.36	4881.95 17/3	4089.22 16/6	3.1	13.3
China	Shanghai B	40.42	39.44	40.73	59.58 10/2	38.44 16/6	0.9	34.9
	Shenzhen B	80.87	80.73	80.83	98.97 10/2	77.98 12/1		
Shanghai B shares helped by government official's comments, which eased fears over a possible renminbi devaluation.								
Colombia	IBB	(c)	1033.33	(c)	1431.46 7/1	1033.33 16/6	na	na
Czech Republic	PX 50	434.9	432.3	432.6	517.39 23/3	432.30 16/6	na	na
Market mixed in thin trade ahead of election on Friday and Saturday.								
Denmark	CopenhagenSE	740.54	733.57	736.79	778.04 7/4	667.08 12/1	1.4	23
Shares put in late spurt in response to domestic political deal to implement fiscal tightening measures.								
Egypt	Cairo SE Gen	366.22	367.55	370.15	393.19 21/4	345.49 2/2	na	na
Investors discouraged by state's latest privatisation of confectioner Bisco, which analysts said was overpriced.								
Finland	HEX General	4744.56	4614.66	4622.76	5626.04 11/5	3220.43 12/1	2.2	15.2
Nokia fuelled by yen recovery, but forestries underperformed on profits warning from Weyerhaeuser in the US.								
France	SBF 250	2650.61	2603.07	2602.08	2723.88 9/6	1873.10 12/1	2.3	19.1
	CAC 40	4092.92	4013.28	4005.33	4206.80 10/6	2862.54 12/1		
Bourse lifted by yen's rebound after US and Japanese authorities' intervention in foreign exchanges.								
Germany	FAZ Aktien	1781.28	1751.10	1747.47	1812.78 8/6	1394.35 12/1	1.3	23.4
	Commerzbank	5267.40	5176.20	5153.50	5372.30 8/6	3828.20 12/1		
	DAX‡	5709.36	5591.57	5527.3	5779.09 8/6	4087.28 12/1		
Hochtief marked sharply higher on rumours that it was takeover target.								
Greece	Athens SE	2426.63	2373.66	2286.49	2889.73 25/5	1380.13 29/1	1.8	18.2
	FTSE/ASE 20	1449.38	1408.48	1353.06	1801.83 5/5	795.18 29/1		
Bourse gave upbeat response to news that unlisted EFG Eurobank had acquired majority control of Bank of Athens.								
Hong Kong	Hang Seng	8004.35	7526.45	7462.50	11810.03 25/3	7462.50 15/6	5.6	7.4
	HSCC Red Chip	892.76	813.05	814.93	1775.90 27/2	803.66 16/6		
Recovery in the yen encouraged a sharp rebound. China plays boosted by hopes of Chinese interest rate cut.								
Hungary	Bux	7649.49	7458.86	7508.62	9818.38 23/4	7049.35 28/5	na	na
Pharmaceutical stock Richter outperformed, but analysts sceptical about sector because of exposure to trade with Russia.								
India	BSE Sens.	3400.95	3161.08	3152.96	4280.96 21/4	3152.96 15/6		
	Crisil 500	642.34	609.21	607.26	815.92 21/4	594.39 29/1	na	na
Aggressive short covering followed moves by SEBI to curb excessive speculation.								
Indonesia	Jakarta Comp.	419.44	399.51	406.50	554.10 2/2	342.97 9/1	2.4	16
Dual-listed heavyweights Telkom and Indosat led gains following a sharp fall in rupiah and rises beat falls by 3 to 2.								
Ireland	ISEQ Overall	5003.20	5003.95	5041.77	5471.81 21/4	4054.76 2/1	1.9	21
Market weak in weekend trade in spite of strong performances in London and New York.								
Israel	Tel Aviv 100	320.38	318.10	316.93	337.43 8/5	283.12 11/2	na	na
Shares ended higher but off peaks as Asian worries continued to stalk market.								
Italy	BCI Comit 30	348.73	336.93	334.23	388.53 6/4	254.84 2/1	1.4	28.9
	Banca Com Ital	1461.54	1434.04	1417.57	1654.36 7/4	1072.35 2/1		
	Mibtel General	23531.0	22833.0	22790.0	26377.00 6/4	17206.00 2/1		
BCI soared 8.6 per cent after bank raised ROE targets and posted sharp rise in operating profit for first five months.								
Japan	Nikkei 225	14715.36	14720.38	14825.17	17264.34 2/3	14664.44 12/1	1	39.9
	Nikkei 300	227.82	227.96	230.12	257.43 10/2	224.85 12/1		
	Topix	1156.84	1156.47	1167.21	1300.30 10/2	1120.61 12/1		
	2nd Section	1262.04	1266.52	1278.04	1481.27 12/2	1173.76 14/1		
Rumour-stricken LTCB tumbled to new lows; other long-term credit banks IBJ and Nippon Credit Bank fell in sympathy.								
Jordan	Amman SE	171.60	172.04	172.02	182.83 18/5	164.54 30/1	na	na
Large block deal in Middle East Investment Bank accounted for around 40 per cent of overall volume.								
Malaysia	KLSE Comp.	459.88	435.84	452.24	745.36 27/2	435.84 16/6	3.6	10.4
Comments from government economist indicating it wished to keep interest rates down helped sentiment.								
Mexico	IPC	4291.52	4125.97	4048.98	5204.08 2/1	4048.98 15/6	1.5	9.7
Early gains extended at midsession as market took cue from Wall Street.								
Morocco	CNSA	832.20	830.25	830.93	896.78 18/5	698.57 21/1	na	na
Demand for ONA, SNI and Banque Commerciale du Maroc led index slightly higher.								
Netherlands	CBS TtlRtnGen	1369.2	1352.9	1347.8	1412.00 25/5	1045.20 12/1	1.9	24.9
	CBS All Shr	774.5	765.8	763.0	798.70 25/5	599.20 12/1		
Tentative rumour that ABN Amro was set to link up with Chase Manhattan of the US produced little or no action.								
New Zealand	Cap. 40	1999.59	1970.21	1998.71	2350.82 20/3	1970.21 16/6	4.9	18.7
Telecom led rebound as bonds and local dollar stabilised. AMP continued to dominate activity.								
Nigeria	SE All–Share	5941.71	5921.73	5918.95	6594.97 11/2	2236.40 12/1	na	na
Norway	Oslo SE Ind	2130.41	2129.39	2104.27	2379.88 4/5	1898.91 12/1	1.7	16
Worries about domestic interest rate outlook and flagging oil price put brake on advance.								
Pakistan	Karachi SE	1048.02	(c)	1013.02	1748.31 3/1	911.44 1/6	na	na
Telecoms utility PTCL jumped after receiving regulatory approval to raise its line rental.								
Peru	Lima Gen	1685.43	1658.27	1665.58	1909.81 4/5	1552.09 25/2	na	na
Philippines	Manila Comp	1716.18	1728.55	1746.88	2311.42 25/3	1618.80 9/1	1.5	13.1
Early gains inspired by yen recovery failed to hold and stocks faded lower for seventh consecutive session.								
Poland	WIG	15482.3	14845.5	14954.7	18892.70 11/3	13228.86 12/1	1.4	12
Market called halt to four-session, 8.9 per cent slide and rebounded 4.3 per cent.								
Portugal	BVL 30	5511.06	5440.70	5433.96	6178.09 22/4	3879.27 2/1	1.8	40.2
	PSI 20	12577.99	12428.56	12407.61	14282.90 22/4	9031.84 2/1		
Russia	RTS	181.99	171.86	165.11	411.81 5/1	165.11 15/6	na	na
News that finance ministry planned new Eurobond sent market rocketing up 7.7 per cent.								
Singapore	SES All–S'pore	299.80	289.04	290.05	437.98 19/3	289.04 16/6	3.2	11.9
	Straits Times	1107.70	1048.96	1052.64	1600.75 19/3	1048.96 16/6		
Local dollar bounced with yen and stocks soared in sympathy. Gains swamped losses by 11 to 4.								
Slovakia	SAX	108.39	107.47	109.22	182.48 5/1	18.02 13/5	na	na
Market edged ahead, but in deadly quiet trade.								
South Africa	JSE All Share	7018.0	(c)	6720.4	8358.70 20/4	5598.00 12/1		
	JSE Gold	815.2	(c)	773.1	1181.50 24/4	672.80 18/3		
	JSE Indl.	8431.7	(c)	8094.2	9942.70 20/4	6715.10 12/1	3	12
Stocks rallied strongly in response to co-ordinated US and Japanese intervention to support yen.								
South Korea	KoreaCompEx**	303.81	280.00	288.21	574.35 2/3	280.00 16/6	1.7	13.4
Recovery in the yen was catalyst for record gain in local stocks. Foreigners, however, were net sellers.								
Spain	Madrid SE	864.38	845.40	838.57	938.83 6/4	645.14 13/1	1.8	26.7
Endesa staged sharp rebound after recent underperformance.								
Sri Lanka	CSE All Share	607.50	613.00	606.40	789.70 4/5	606.88 15/6	na	na
Foreign selling of blue chips pushed market down.								
Sweden	AffarsvarldsGen	3679.7	3612.9	3626.8	3853.60 9/6	2853.10 12/1	1.8	22.1
Shares rallied late in day in line with bourses that rebounded as Wall Street jumped.								
Switzerland	SMI Index	7562.7	7388.7	7342.7	7827.70 6/4	6082.10 12/1	1.2	23
	SPI General	4745.34	4649.09	4624.14	4860.57 8/6	3781.36 12/1	na	na
Derivatives-related buying and short-covering helped market up 2.4 per cent.								
Taiwan	WeightedPr.**	7468.39	7404.27	7283.83	9277.09 2/3	7117.31 12/6	1.4	19
Stabilising yen encouraged third consecutive gain. Electronics rose 1.1 per cent and market volume lifted to T$129bn.								
Thailand	Bangkok SET	272.94	257.44	263.30	558.92 3/2	257.44 16/6	4.1	33
Banking and finance sectors led the rebound, encouraged by rallies in regional markets and the steadier yen.								
Turkey	IMKB Nat 100	4047.11	3910.94	3793.48	4385.77 22/4	2777.08 10/2	2.5	19.8
Market rose strongly as hopes grew of accord in talks between Turkey and IMF.								
Venezuela	IBC	5209.85	5070.96	5444.51	7868.92 23/3	5070.96 16/6	na	na
Zimbabwe	ZSE Industrial	(c)	7354.72	(c)	9795.71 31/3	6906.30 12/5	na	na
WORLD	FT/S&P World(S)	(c)	270.58	275.79	298.57 15/4	243.98 9/1	na	na
	MS Capital Intl$	1059.4*	1036.5	1025.7	1094.40 15/4	900.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	3326.35	3252.86	3239.98	3420.86 8/6	2574.91 12/1		
	DJ Euro Stx 50	3330.55	3269.06	3253.91	3443.76 8/6	2465.81 12/1		
	FTSE E300	1231.79	1208.32	1203.54	1264.81 8/6	971.93 12/1		
	FTSE E100	2827.33	2768.12	2758.52	2920.66 6/4	2236.40 12/1	na	na
	HSBC Drgn	(c)	169.80	169.85	273.91 26/3	169.85 12/1	na	na
	MS Bnge Emrg	123.80	120.68	121.76	180.88 22/4	120.68 16/6	na	na

** Sat Jun 13: Taiwan Weighted Price (p) Korea Comp Ex 302.81. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Jun 17: 5742.03 +121.12. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation. Yields and P/E ratios are based on Datastream Total Market indices. Microsoftes.

THE NASDAQ STOCK MARKET

4 pm close June 17

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close June 17

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5	+0.5	84610	6.5	2.25	Gruppo Formula	ITL43100	-650	82717	65650	14250
Algol♦	ITL42750		1100	44500	17450	Innogenetics	US$58.875	+0.5	143142	78.5	9.875
Artwork Systems	US$16.875	+1.5	19870	21.625	5.875	Integr. Surg. Syst.♦	DEM10.3	+0.3	0	12.5	6.8
Chemunex♦	FFr17.5		10460	23.5	8	Lernout & Hauspie	US$52.5	+2.625	91416	103.5	25
City Bird Holding	US$8	+0.1875	0	10.3125	8.8125	Memas	US$17.625	+0.0625	23545	28.3125	7.1875
Dialog Semi Holdings	GBP2		2100	7.15	1.7	Mercer Int'l♦	US$9.5	-0.125	200	12.875	9
Dr Solomon's	US$32.625		8230	48.25	20.375	NTL	US$44.75	+3.625	2000	48.125	20.5
EDAP TMS	US$5.125	-0.0625	0	9.125	5.0625	Option Int'l	US$48.375	+0.375	4620	68.25	10.375
ESAT Telecom	US$38.8125	-1.5	430	37.875	13.25	PixTech♦	US$5.125	+0.125	100	7.625	2.125
Esprit Prod. Int.	FFr119.88	-0.12	3200	121	88.63	Royal Olympic	US$12.25	-0.125	0	18.5	12.25
Esprit Telecom	US$18.125	+0.25	1810	19.25	4.875	Schoeller-Bleckmann♦	Sch1475	-33	4290	1800	900
Eybl International	Sch870	+1	40136	730	665	Topcall Int'l♦	Sch3410	-70	1345	17125	3065
Global TeleSystems	US$44.125	+0.75	365	48.125	24.5	Turbodyne Technol.♦	US$9.65	-0.39	13445	11.93	2.1
Grange Telecom	US$20	-0.25	1900	27.25	13.5						

Prices for 17/6/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at http://www.easdaq.be. EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 0500). Annual/interim reports can be obtained for companies with a ♦ symbol in this box. For further details please see London Share Service pages. For further details please telephone Annual Reports Service +44 181 770 0770.

STOCK MARKETS

Intervention pulls bourses out of spiral

WORLD OVERVIEW

A rebound in the Japanese yen and in the fortunes of Asian bourses helped world stock markets climb out of their downward spiral yesterday, *writes Philip Coggan.*

The US Federal Reserve joined the Bank of Japan in intervening to support the Japanese currency, carrying the yen back up to Y137/$ at one stage.

Although there had been rumours that the Bank of Japan might intervene on its own, the co-operation of the US authorities took the market by surprise, especially given recent US comments casting doubts on the effectiveness of such action.

The reversal in the yen's fortunes eased the fears of recent weeks that the Chinese and Hong Kong authorities might be forced into devaluing their currencies in response, setting off another round of foreign exchange turmoil across the region.

The rally in Asian stock markets happened before the Fed/BoJ intervention, but the yen had already moved higher on hopes that a visit to Japan by Lawrence Summers, deputy US Treasury secretary, would result in some action.

After such a long period of selling, the Asian markets were ripe for a rebound; the Hang Seng climbed back above the 9,000 level and the Korean market gained more than 8 per cent.

Geoffrey Dennis, the emerging market equity strategist at Deutsche Morgan Grenfell, says that the intervention had taken away the risk of a major breakdown in the yen for the time being and allowed the oversold Asian markets to recover.

"We think the emerging markets could rally by 20-25 per cent over the next three months," he said.

The Tokyo stock market had a rather disappointing day, with a further slide in the share price of the Long-Term Credit Bank weighing on the Nikkei 225 average.

But Japanese shares looked strong in London trading after the intervention was announced, especially as it was assumed that the Americans will have extracted a promise of economic reform in return for their help.

Tokyo was one of the few losers of the day. Wall Street took immense heart from events in the foreign exchange markets – even though Treasury bonds fell a point as the Bank of Japan sold them to buy yen – and the Dow Jones Industrial Average was up more than 200 points in early trading.

Europe, battered by both Asia and New York, was relieved to find that, for once, the rest of the world was giving it a leg up. Both Paris and Frankfurt ended about 2 per cent higher.

Support for Japan brings out US bulls

AMERICAS

Investor relief at intervention to support the Japanese yen sent the Dow Jones Industrial Average up more than 200 points at one stage in early trading, *writes John Labate in New York.*

"We're finally seeing some light at the end of the tunnel," said Arthur Hogan, chief market analyst at Jefferies & Co in Boston. "The stocks that were in carnage the last two weeks are now in favour, especially in technology, financials, and oil services."

By early afternoon the Dow was off its earlier highs, but still up 189.08, a rise of 2.2 per cent to 8,854.37. The broader Standard & Poor's 500 climbed 19.71 or 1.8 per cent to 1,107.30. Volume was very strong throughout the early session.

The currency intervention sent the dollar down smartly against the yen, and triggered a sell-off in US Treasuries, which had been up strongly for much of the last week on Asian concerns. By early afternoon the benchmark 30-year bond was off ⅞ at 105¾, sending the yield higher to 5.718 per cent.

Technology and small cap shares were bid higher, but not at the levels seen in the blue-chip sector. The Nasdaq composite gained 25.82 or 1.47 per cent to 1,778.94.

The improvement for the yen helped send US banking shares higher. The Philadelphia Stock Exchange's banking index was 17.81 or 2.2 per cent higher to 841.96. Citicorp shares surged $5¼ to $151¾.

MCI shares climbed $2¼ to $53¾ as regulators continued to examine its merger plans with WorldCom. In the drugs sector, Pfizer rose $2 to $111¾ on a report that the company may widen its Viagra promotions.

TORONTO pushed higher on a broad front, taking its cue from the early surge on Wall Street and responding to a flurry of takeover activity. The 300 composite index was up 105.69 or 1.5 per cent at 7,249.40 at noon.

Banks were in the thick of the action with Royal Bank of Canada gaining 80 cents to C$87.80 and Canadian Imperial up the same amount at C$47.55. In golds, Barrick responded to a better day for bullion with a rise of 75 cents to C$26.15.

An improved bid from Call-Net Enterprises lifted Fonorola C$3.75 to C$68.75 in heavy volume. Teleglobe rose C$3.80 to C$45.25 as investors digested the group's plans to merge with Excel Communications of the US.

Northern Telecom, which announced plans for a $9.1bn US takeover on Monday, stayed weak. The shares, C$93.10 at the close on Friday, fell a further 90 cents to C$78.10.

São Paulo powers on

SAO PAULO picked up where it left off on Tuesday with the Bovespa index in upbeat mood. Among leading stocks, Telebrás shot ahead by 6 per cent to R$127.20 in what brokers described as solid volume. The benchmark index had risen 520 or 5.6 per cent to reach 9,769 at midsession.

MEXICO CITY also powered higher. The IPC index was 164.23 or 4 per cent ahead at 4,290.20 at midsession.

Telmex led the way up with a gain of 95 centavos to 21.35 pesos in more than 12m shares traded. The stock accounted for 15 per cent of the morning's total volume.

Renewed yen fuels Seoul rise

ASIA PACIFIC

The yen's renewed strength against the dollar, and arbitrage trade between the spot and the index futures markets, sent **SEOUL** rocketing up 8.5 per cent, its largest single-day rise ever.

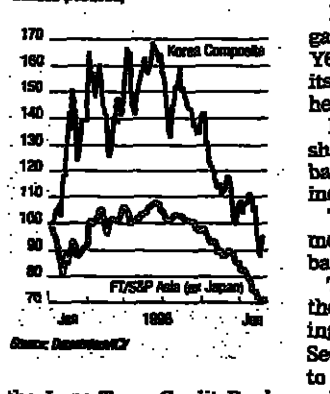
The composite index shot up 23.81 to 303.81 as the market also gave a broad welcome to a commitment from President Kim Dae-jung to proceed with strong economic restructuring. However, analysts said that investors were less certain about a planned "hit list" of companies, deemed by creditor banks not to be viable.

Blue chips benefited most from the yen's rebound as they had been hit hard on fears of losing price competitiveness in global markets. Both Samsung Electronics and LG Electronics went limit up, gaining 11.9 per cent and 11.5 per cent to Won42,650 and Won11,600 respectively.

THE DAY'S CHANGES

	% Change
Seoul	+8.5
Bombay	+7.6
Hong Kong	+6.4
Bangkok	+6.0
Singapore	+5.6
Jakarta	+5
Kuala Lumpur	+3.5
Karachi	+3.3
Wellington	+1.5
Sydney	+1.0
Taipei	+0.8
Tokyo	u/c

South Korea
Indices (rebased)



HONG KONG rebounded strongly, although caution remained the watchword after recent volatility. The Hang Seng index jumped 477.90 to 8,004.35 and China-linked stocks did even better, lifted by expectations of a Chinese interest rate cut. The red-chip China-Affiliated Corporations index surged 9.80 per cent and H shares finished 7.7 per cent higher.

Turnover, however, slipped to HK$6.1bn from Tuesday's HK$7.6bn.

Among the blue chips, HSBC Holdings surged HK$11.50 to HK$181 while Hutchison finished HK$2.80 higher at HK$34.20.

TOKYO managed to shake off worries over the health of the Long-Term Credit Bank, and shares ended the day almost unchanged, *Reuter reports.*

The rebound in the yen helped equity prices, offsetting heavy selling in LTCB, and the Nikkei 225 index closed down 5.00 to 14,715.

The Topix index of all first-section shares rose 0.37 to 1,156.84 with 404m shares changing hands. A total 689 rose while 392 fell.

Domestic and foreign institutions sold LTCB as rumours spread the bank had been mentioned in a conference call between Moody's and Asian investors. Investors have been nervous over the bank's bad loans and its tie-up with SBC, although the bank yesterday dismissed speculation that it faced financial difficulties as "groundless".

LTCB was the most active issue of the day, closing down Y30 at Y123 after falling to a low for the year. Other long-term credit banks were also weak, with Nippon Credit Bank down Y1 to Y125 and Industrial Bank of Japan retreating Y29 to Y701.

The rise in the yen, however, helped some other banks, as concerns over their dollar-denominated loan portfolios were alleviated.

News of a visit to Japan by US Deputy Treasury Secretary Lawrence Summers, prompted worries Japan would be urged to take action over the banks' loan problems.

Sakura Bank fell Y16 to Y359 and Fuji Bank declined Y11 to Y536.

Fuji Heavy Industries gained Y21 or 3.1 per cent to Y690 on hopes the launch of its new car this week would help its earnings.

BANGKOK rebounded sharply, led by finance and banking stocks, and the SET index rose 15.50 to 272.94.

The financial index rose more than 19 per cent and banks added 11 per cent.

Thai Farmers Bank was the most active issue, gaining Bt2.50 to Bt41.50 and Securities One added Bt0.80 to Bt3.70.

JAKARTA went along with the gains in regional markets, spurred on by arbitrage activity in index heavyweights. The composite index closed up 19.93 at 419.44 in turnover of Rp368bn.

Dual-listed stocks of Telkom, Rp450 up at Rp4,075, and Indosat, Rp1,125 ahead at Rp16,025, were the main contributors to the rise.

KUALA LUMPUR closed at the day's high, breaking a five-session losing streak. The composite index, at a nine-year low this week, rose 15.04 to 450.88.

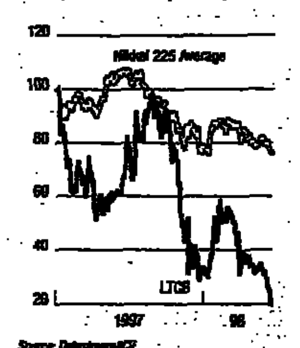
Short covering prompted by the yen's recovery helped Telekom, which rose 45 cents to M$6.35 and Tenaga Nasional, which gained 24 cents to M$5.2.

SINGAPORE followed other markets in the region higher and the Straits Times Industrials index roe 58.74 to 1,107.70 as the Singapore dollar firmed in tandem with the yen.

Shares gained ground across the board, with active buying in blue chips that had suffered heavy losses earlier in the week. Singapore Press Holdings rose S$1 or 8 per cent to S$13.60.

BOMBAY shot up on aggressive short covering by speculators following moves by the Securities and Exchange Board of India to curb excessive speculation.

Long-Term Credit Bank
Share price and index (rebased)



The BSE-30 index rose 240.11 at 3,401.19. On Tuesday, the Sebi instructed all investors with outstanding short sale positions in the carry forward segment to square off 50 per cent of these in the current settlement and the remainder in the next.

EMERGING MARKET FOCUS

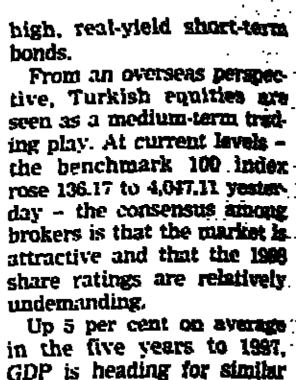
Turkey winning the prices war

Turkey remains one of this year's better-performing emerging stock markets in spite of a decline in dollar terms of around 12 per cent since January.

Political optimism is helping, and there are tentative hopes for fiscal reform ahead of next April's general election. The economy continues to expand, with GDP set to grow by 5 per cent this year.

But the main drive in the short term is coming from inflation. It has long been the bane of Turkish economists, but the consumer price index is at last showing signs of coming down to earth.

Turkey
IMKB National-100



The inflation rate, which was 99 per cent at the start of the year, has recently tailed back to within range of 90 per cent. Investors are excited at the prospect of a more determined decline by the end of the year.

The government is looking for a CPI of 50 per cent by December, although best bets among analysts suggest something closer to 70 per cent.

Whatever the result, the trend line suggests that predictions of a rapid switch of funds out of debt securities into equities may not be far off the mark.

It is a process that is constantly played out on the Istanbul stock market, where daily volume, at $300m, is way ahead of competing centres such as Athens and Tel Aviv. Debt-equity arbitraging by local traders is one reason for Istanbul's healthy levels of activity.

Although high inflation implies a constant currency risk, foreign investors play an important stock market role.

The ownership structure of the equity market is understood to be split fairly evenly between foreign and local investors. And Turkey's impressive currency reserves of around $25bn stem almost exclusively from foreign investment in high, real-yield short-term bonds.

From an overseas perspective, Turkish equities are seen as a medium-term trading play. At current levels – the benchmark 100 index rose 136.17 to 4,047.11 yesterday – the consensus among brokers is that the market is attractive and that the 1998 share ratings are relatively undemanding.

Up 5 per cent on average in the five years to 1997, GDP is heading for similar growth this year and likely to keep company profits in the fast lane.

Broker predictions vary, but the median for 1998 looks to be 15 per cent earnings growth, which translates broadly into a stock market p/e of less than 10. This compares with 20 or so for the Greek stock market and 15 for Israel.

Nigel Rendell, emerging market analyst at Banco Santander, is looking for 10 per cent gains in dollar terms for Turkish equities this year. Thereafter there may be uncertainty, he says.

Prime minister Mesut Yilmaz is due to step down in December, with Turkey going to the polls next April. "The political base is very fluid and, since it contains an important Islamist segment, next to impossible to predict", says Mr Rendell.

Jeffrey Brown

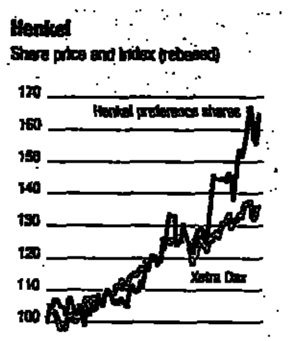
Currency news lifts Frankfurt

EUROPE

News of US and Japanese support for the ailing yen sent **FRANKFURT** 2.2 per cent higher in late electronic trade. The Xetra Dax index picked up from a low of 5,662.38 to close near its best levels of the day, up 121.12 at 5,742.83.

Chemical group Henkel was a winner, rising DM11.40 to DM184.40 as takeover speculation drove the price. Wella, the shampoo group, was named as a possible suitor, and its shares gave up DM28 to DM1,925 as the company denied the rumours.

Henkel
Share price and index (rebased)



Cars remained in the spotlight with Volkswagen climbing DM79.90 to a record high of DM1,757 as the market remained upbeat about its recent acquisitions.

Lufthansa put on DM1.95 to DM48.25 in response to five-month profit figures and its full-year forecasts. RWE rose DM5.40 to DM101.50 after an upbeat earnings forecast from its power subsidiary. Preussag put on DM18.20 to DM640 as CS First Boston reaffirmed its strong buy recommendation.

PARIS pushed ahead strongly with the early bounce on Wall Street helping the CAC 40 index to close within a whisker of its session high. The benchmark ended 78.71 higher at 4,091.99.

Renault and LVMH were the star blue chip attractions, making up for recent relative weakness with rebounds of more than 5 per cent apiece. Renault rose FFr16.60 or 5.2 per cent to FFr337.70 and LVMH gained FFr58 to FFr1,188. News of a Brazilian acquisition helped lift Lafarge FFr26 to FFr626.

Among lesser caps, Bouygues jumped FFr91 or 9.2 per cent to FFr1,080 after Italian press reports suggested Telecom Italia was interested in further investments in Bouygues Telecom.

ZURICH carried its rebound through to a second straight session as the SMI index climbed 174.0 or 2.4 per cent to 7,562.7. Financials had a good day. UBS rose SFr81 to SFr2,576 and SBC, its merger partner, was SFr18 higher at 557. Among the insurers, Baloise jumped SFr122 to SFr3,770 and Swiss Re finished SFr59 higher at SFr3,399.

In drugs, Roche certificates climbed SFr330 and Novartis was SFr31 higher at SFr2,365.

In the speciality chemicals sector, Clariant put on SFr68 to SFr998, profiting from a Bank Julius Baer study that set a target share price of SFr2,500 before the chemicals group split its shares on a two for one basis. EMS Chemie was SFr150 higher at SFr8,985.

AMSTERDAM added 12.66 to 1,174.87 on the AEX index on a day of nominal corporate news.

Volume was thin and the best story of the day – a tentative rumour that ABN Amro was set to link up with Chase Manhattan of the US – produced little or no action. ABN improved 20 cents to Fl 47.70 in 6.1m shares traded.

Fortis Amev led the blue chip performance charts, advancing Fl 4.20 to Fl 115.50. Philips and Heineken were also strong, adding Fl 4 to 176.10 and Fl 2.10 to Fl 77.50 respectively. KNP BT lost Fl 1 to Fl 54.00.

MADRID gained ground following other markets, and the general index rose 18.98 or 2.3 per cent to 864.38.

Endesa, the utility that completed its privatisation offering earlier this month, was the most active issue, rising Pta100 to Pta3,370. Telefónica added Pta140 to Pta6,910, while Tabacalera gained Pta170 to Pta3,275.

BCH rose Pta140 to Pta4,750, BBV advanced to 7,420 and Santander was ahead Pta180 at Pta7,500.

Union Fenosa, the electricity utility, rose Pta60 to Pta1,870 after Endesa said that it was selling its 7.2 per cent stake at Pta1,875 a share to BCH, Banco Pastor and Caixa Galicia, the savings bank.

MILAN rallied 2.6 per cent, helped by blue chips and Asia-related issues with the Mibtel index gaining 598 to 23,531.

BCI, the banking group, rose L810, or 8.6 per cent, to L10,574 after announcing more than doubled five-month gross operating profits and lifting return-on-equity targets.

Telecom Italia gained L492 to L13,422 following its shareholders meeting. Bulgari, the luxury goods maker, was suspended limit up minutes before the close after a rise in the yen and the rebound in Asian markets. The shares gained L869 to L10,003.

HELSINKI rose 2.8 per cent, with the Hex index up 129.90 at 4,744.56. Nokia, which relies on Asian demand and had tumbled on the region's market turmoil, added almost 6 per cent, rising FM20 to FM357.

MOSCOW jumped 7.7 per cent, encouraged by the finance ministry's plans for a new Eurobond. The RTS index rose by 12.98 to 181.99.

WARSAW reversed an 8.9 per cent four-session decline with a 4.3 per cent rebound. The Wig index recouped 636.7 to 15,482.3 as gainers led losers by 147 to seven. Turnover surged 65 per cent to 235.1m zlotys.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Mike Scott

South Africa

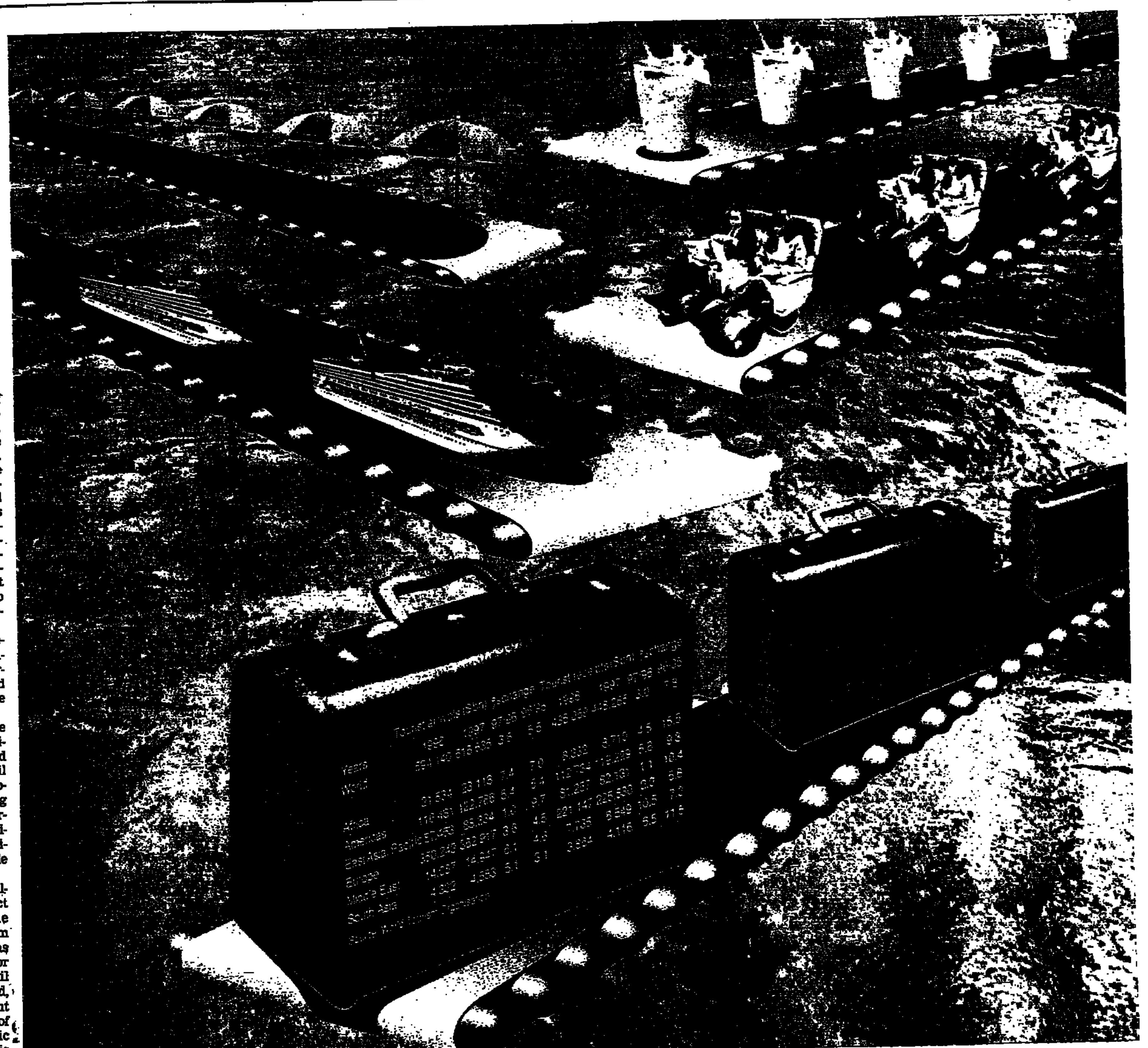
Johannesburg, closed on Tuesday, reopened in upbeat mood with sentiment boosted by Asia. The all share index ended 285 or 4 per cent higher at 7,003.

Industrials gained 315 to 8,409.6 and golds rose 5.8 per cent to 817.9. South African Breweries jumped R8.80 to R128. Gold Fields surged 9.5 per cent to R23.

WORLD TOURISM

There are few places in the world untouched by this sector. **Scheherazade Daneshkhu** reports

Travel still firmly on right track



There are no factories churning out the wares of the world's largest industry, nor piles of stock by which to identify it. Yet travel and tourism has not only developed rapidly over the past decades to stake a claim to being the world's biggest industry, it is, along with telecommunications and information technology, one of the fastest-growing, too.

From Benidorm to Bali, from the Himalayas to Hawaii, there are few places in the world which have been unaffected by tourism. The populations of the wealthiest nations no longer regard a holiday as a luxury but as a necessary break from an increasingly competitive and stressful working life.

The change has been helped by cheaper air travel. This has also been instrumental in making long-haul travel one of the industry's fastest-growing sectors. Going abroad on holiday has become so commonplace that even those holidays which were once the preserve of the wealthy, such as cruising and ski-ing, have been packaged and made affordable for great numbers of people.

Last year some 617m tourists travelled to foreign countries and spent $448bn. France has long been the top destination with a market share of about 11 per cent of the world total, but the US earns the most from tourism – $75bn last year, or 16 per cent of the world total.

Yet 1997 failed to live up to growth expectations due to the financial turmoil in Asia – until recently the fastest-growing region – which led to world tourism growth rates slowing to 4 per cent.

Pressures from the financial slowdown have been most acute in Thailand, but were also felt in the Philippines, Indonesia and Malaysia. Countries that usually receive many Asian tourists, such as Australia, were also affected. However, China resisted the trend and its tourism receipts rose by 18 per cent from 1996 to $12bn.

"On the positive side, because of the devaluation of some currencies, particularly in Thailand and Korea, Asian destinations have become more competitive. This is likely to stimulate stronger than normal long-haul travel to east Asia and the Pacific this year," says Francesco Frangialli, secretary-general of the Madrid-based World Tourism Organisation (WTO), the UN-backed body. "But that growth will be insufficient to offset the loss of intra-regional tourists."

The WTO predicts, nonetheless, that tourism will triple by 2020, with 1.6bn tourists visiting countries abroad annually and spending more than $2,000bn.

Tourism's impact on the world economy is more difficult to calculate. The World Travel & Tourism Council (WTTC), a private sector lobbying group comprising hotels, airlines and the catering industries, believes traditional measures underestimate the contribution made by travel and tourism.

The WTTC argues that calculations based on direct spending ignore the knock-on benefits of tourism to the economy, such as spending in restaurants or the contribution to retail sales. If these are included, travel and tourism account for $3,600bn, or 11 per cent of the world's gross domestic product. The industry is responsible for more than 230m jobs directly and indirectly and is likely to create another 100m jobs by 2010, according to the WTTC.

Job creation has long been one of the attractions of developing a tourism industry, particularly in countries with few natural resources or little capital. But some countries in the developed world have seized on tourism's potential to create jobs to help solve their own growing problem of unemployment.

Sweden last year invested SKr10m to stimulate small business development in the tourism sector as a way of creating jobs. Britain's Labour government has targeted tourism as one of the most promising sectors for job-creation through its New Deal scheme to return unemployed youth to work.

Despite the industry's potential for job and wealth-creation, its rapid growth poses problems. Euromonitor, the market research consultancy, is sceptical that the necessary infrastructure will be in place to cope with the increases. It forecasts that air passengers will double over 20 years to 2bn, but that growth will be hampered by a shortage of airports in western Europe and south-east Asia where congestion will remain a problem.

Many people blame the development of tourism for ruining unspoilt areas and cultures, building unsightly hotels, scarring the landscape with golf courses and allowing historic cities and villages to be overrun with busloads of tourists.

The question of how to develop tourism without ruining the environment is much debated at international gatherings of tourism chiefs. Sustainability – the maintenance of a balance between running tourism at a profit but not at the expense of natural resources – has become a buzzword. But Mr Frangialli believes the commitment by governments to Agenda 21 – the strategy launched in 1992 at the Rio de Janeiro Earth Summit for sustainable development – has been only lukewarm.

"Many opportunities have been lost in terms of public policy," says Mr Frangialli. "What is positive though is that growing concern for the environment is changing the attitude of the larger operators and they are putting pressure on destinations to offer better quality. So this fight for a clean and better environment is not being fought by public institutions but is coming through the market."

A growing trend by central governments to devolve responsibility for tourism development to local authorities or the private sector has lessened the responsibility of governments towards the development of a national tourism industry. But where governments are taking an increased interest in the industry is in its potential as a tax-raising source of revenue.

Entry fees and airport departure taxes have been on the increase. The US recently introduced a new arrival tax, while UK departure taxes were doubled last year.

Deloitte & Touche, the accountants, found in a survey of 50 destinations published in March that 73 per cent had increased taxes on tourism over the past three years and 13 per cent had lowered them.

"Too many taxes are discriminatorily levied at travel and tourism because it's an easy hit," says Geoffrey Lipman, president of the WTTC. "There is a misperception that tourism is a luxury, but it is an export so, if anything, governments should incentivise it."

While the tax issue and the financial problems in Asia have been setbacks for the industry, the implementation of European economic and monetary union (Emu) is likely to stimulate travel due to its promise of greater transparency of prices within the member-states and the elimination of currency exchange costs.

The tourism industries of destinations bordering the Emu member-states, such as north Africa and Turkey, are likely to become more competitive if the euro currency is set at a strong rate relative to the dollar and the yen. But, by the same token, the traditionally weaker-currency countries within Emu, such as Spain and Italy, are likely to find the competition with these countries tough.

"The euro will probably be a problem for Spanish tourism," acknowledges Gabriele Burgio, chairman of NH Hoteles, one of Spain's largest hotel groups. "We will lose competitiveness so we will have to improve productivity and services. It is a challenge."

AIR TRAVEL • by Michael Skapinker

Up, up and away – an ever-growing line of passengers

Already-busy skies can expect to see much more traffic in coming years

July 5 1841 is regarded by many as the day that modern tourism began. Thomas Cook, a printer and anti-alcohol campaigner, took 500 people to Leicester station in the UK's East Midlands, where they boarded a train to Loughborough. There they were greeted by a large crowd of temperance campaigners, who heard Mr Cook raise a cheer to "teetotalism and railwayism!"

Over 150 years later, rail still plays an important role in ferrying tourists – particularly now that a new network of European high-speed links is being built.

But the tourist industry today depends far more on aircraft to carry its millions of customers – few of them teetotal – around the world.

If you take the number of people flying annually and multiply it by the distance they travel, you end up with 2,800bn kilometres. This is the equivalent of every adult and child in the UK making a round-the-world trip on an aircraft each year.

Twenty years from now those numbers will look tiny. Air traffic is expected to increase by 5.3 per cent annually for the next 10 years and by 4.8 per cent a year during the decade after that. That means, says Adam Brown, head of forecasting and strategic planning at Airbus Industrie, the European aircraft manufacturer, that air traffic will increase 168 per cent by 2017. "In other words, in 20 years' time, the airlines will be carrying nearly three times as much traffic as today," he says.

How will the airlines cope with that number of passengers? One way will be by crowding more passengers on to each aircraft. Airbus plans to build a new generation of aircraft capable of carrying 600 passengers or more. Boeing, its largest US rival, argues that existing aircraft, such as its 400-passenger 747, are capable of doing the job.

Both manufacturers agree, however, that the number of passengers on each flight will go up. Airbus forecasts that the average number of seats on each flight will increase from 179 today to 227 over the next 20 years. In the Asia-Pacific region, airlines already have an average of 240 seats on each flights. In 20 years, this will increase to 320, Airbus says.

Airlines will also buy many more aircraft. Airbus and Boeing predict that airlines will spend over $1,000bn acquiring more than 16,000 aircraft over the next 20 years, both to expand their fleets and to replace ageing models.

The airlines are already looking at ways of moving the growing number of passengers on and off flights more quickly. They have begun offering passengers ticketless travel and computerised check-in. British Airways is experimenting with ways of tracking connecting passengers electronically through airport terminals so that they can see if they are having any difficulty reaching the departure gates.

A new generation of low-cost, no-frills airlines has discovered the most effective way of speeding up the boarding of their aircraft – do not give passengers seat numbers. Ryanair, the Dublin-based budget carrier, said it was able to reduce delays sharply by seating passengers on a first-come, first served basis. The fear of being stuck in a middle seat is, apparently, a powerful incentive for reporting to the gate on time.

Improved technology and better management of passengers will help airlines handle the increase in passengers. The principal obstacle to expansion will probably lie elsewhere – in the effect that air transport has on the environment.

Fuel emissions and noise are both potential problems, and some in the industry have seen the importance of getting their arguments in first. BAA, one of the world's leading airport groups, argues that the introduction of quieter aircraft means that residents living near London's Heathrow have seen noise pollution falling, even though traffic has grown.

Mr Brown, of Airbus, argues that aircraft are quieter than the trains which many see as a more environmentally acceptable form of travel. He says: "The zone exposed to an annoying level of noise – more than 80 decibels – by a modern aircraft taking off and landing is much less than that of a high-speed train. And, of course, the noise footprint created by the high-speed train stretches all the way from its origin to its destination.

"As a result, the number of people exposed to aircraft noise has substantially reduced, while many more people are exposed to noise from roads and railways.

"In fact, the huge physical barriers needed to contain the noise from high-speed trains could one day become as serious an environmental threat as the noise itself. In addition, per passenger transported, airports use land about five times more efficiently than rail, and six times more efficiently than road. Despite their much higher speed, the latest aircraft also consume substantially less energy per passenger transported than the average mid-sized car."

The difficulty for the industry is that many of those who live near airports refuse to accept that aircraft noise is dropping. They are a powerful lobby, preventing airport expansion worldwide and insisting on strict limits on the number of flights.

Flight limits at Amsterdam's Schiphol meant the airport had difficulty last month handling charter flights for football fans travelling to the Champions' Cup final between Real Madrid and Juventus. And so great has the opposition from anti-noise campaigners to a proposed fifth terminal at Heathrow been that the public inquiry has had to sit for three years, with at least another six months to go.

HOTELS • by Scheherazade Daneshkhu

Globalisation is the name of the game

As the sector bounces back to health so takeovers take off

In February, a British company bought from a Japanese company a chain of hotels founded by a US company. Bass's £1.7bn acquisition of Inter-Continental hotels from Japan's Saison group marked another step in the consolidation of the international hotel industry.

It was one of a number of recent large international hotel deals. These include the $1bn purchase last year of the Hong Kong-based Renaissance group, operators of Ramada hotels, by Marriott International, the US-based company which also owns the luxury Ritz-Carlton chain.

The Savoy group, the family-dominated group of UK hotels, was bought for £520m by Blackstone Hotel Acquisitions, a company controlled by Blackstone and Colony Capital, two US-based investment groups.

The hotel industry, which was badly hit by the recession in the early 1990s and the Gulf war, has bounced back with vigour, as was demonstrated last year in the US where there was a frenzy of takeover and merger activity in the sector.

More than $25bn worth of hotels changed hands, including those of ITT, owners of the Sheraton chain, to Starwood, a real estate investment trust, after an abortive bid for ITT by Hilton Hotels Company.

Real estate investment trusts, tax-efficient US-based property companies, invested heavily in the US hotel industry last year and have begun to expand outside the country.

Consolidation in the US is being driven by economies of scale and the need to cut costs in an increasingly competitive industry. But it is underlined by good growth prospects for tourism and business travel.

"Increasingly travel is driven not just by business but by leisure," says Ian Prosser, chairman and chief executive of Bass, which owns the Holiday Inn chain. "The international hotel business has grown at more than 8 per cent per annum over the past five to 10 years. In the short-term there has been a setback in Asia, but in the long-term we expect the industry to return to similar rates of growth."

As travel increases so does the demand for hotels in different countries. The chains aim to be able to accommodate their guests in most parts of the world at hotels which preferably range from the mid-market to luxury.

Inter-Continental hotels gave Bass a four-star brand to add to its mid-market Holiday Inn and budget Holiday Inn Express brands. The acquisition also helped to plug gaps in the group's coverage of Europe and Asia.

"Globalisation is the name of the game," says Eric Pfeffer, president of the hotels division of Cendant – previously HFS before its merger with CUC, a direct marketing company.

Cendant may be the world's largest hotel franchising company but most of its hotels are in the US. It has started to go international by taking its mid-market brands, including Days Inn and Howard Johnson, to Europe where it plans to open at least 50 hotels, initially in the UK, over the next five years. It is also rivalling Holiday Inn's activities in China where it plans a total of up to 40 hotels this year.

Nor is the consolidation taking place solely through mergers – strategic alliances and marketing deals have also increased. ITT Sheraton recently signed a joint venture with Arabella Hotels, part of the German-based Schörghuber property group.

"Germany is a difficult market for an international company to enter," says Bob Cotter, president of ITT Sheraton's European division. "For 25 years we had three hotels there; now we have 14."

For many people the good news about the race to increase global coverage is that they will have more opportunity to earn hotel loyalty points and more places at which to spend them.

Hilton Hotels Corporation, the California-based group which operates Hilton inside the US, and Ladbroke, owner of Hilton International, reached a marketing agreement in 1996 to unite the Hilton brand and extend HHC's HHonors loyalty programme to Hilton International's hotels.

The concern, however, is that hotels could lose their individuality or that standards might fall in the relentless march by every growing corporation to achieve economies of scale.

That is something which operators deny vigorously. Starwood, which last year bought Westin, a US chain of five-star hotels for $1.6bn, recently acquired its first wholly-owned property in the UK when it bought Turnberry, the luxury hotel and golf course in Scotland.

The hotel has been rebranded Westin Turnberry. Fred Kleisner, president of Westin, says Turnberry is part of its plans to offer its affluent customers a resort destination capitalising on the increasing popularity of golf.

Turnberry recently formed an alliance with The Greenbrier, the luxury golf resort hotel in West Virginia. "In the north-east [of the US] it is popular to take a four-day weekend and go to Europe. We want to fulfil that constituency's needs," says Mr Kleisner.

Christopher Rouse, who stepped down recently as director and general manager of Turnberry after 20 years, acknowledged the difficulties faced by many individual hotels. "It is hard for an independent hotel to market itself. We want to be able to use Westin's reservations systems and we need the brand loyal customers of Greenbrier."

Preferred Hotels, a consortium of independently-owned luxury hotels, says it is not perturbed by the onslaught of the chains. Last year it formed a marketing agreement with the exclusive Seabourn Cruise Line to offer discounts on cruises and hotel stays, to promote what it describes as a "lifestyle strategy" for the affluent market.

"The luxury market has been dominated by independent hotels because luxury is best provided on a local rather than corporate level," says Peter Cass, president of Preferred Hotels. "I welcome this [the consolidation] because it will isolate the demand for personal service which we provide and differentiate it from 'processed' luxury."

Open door: more than $25bn worth of hotels changed hands worldwide last year

Leading corporate hotel transactions 1995-1998

Hotel name	Vendor	Purchaser	Cost (millions)	Comment
1995				
Westin Hotels	AOKI group	Starwood/Goldman Sachs[1]	$561	80 hotels in the US
Meridien Hotels	Air France	Forte	$338	54 hotels
Copthorne Hotels	Aer Lingus	CDL Hotels	£219	17 properties in the UK and mainland Europe
1996				
Forte Hotels	Forte	Granada	£3,870	
Travelodge N America	Forte	HFS Inc	£169	
Metropole Group	Lonrho	Stakis Hotels	£327	
1997				
HEI Hotels LLC	HEI Hotels LLC	Starwood Lodging Trust	$327	
Renaissance Hotels	Renaissance Hotels	Marriott Int	$1,000	
Wyndham	Wyndham	Patriot American Hospitality	$1,100	
PHH Corp	PHH Corp	HFS Inc	$1,830	
Citadines Aparthotels	Citadines Aparthotels	Westmont Hospitality	?	32 aparthotels Europe for an undisclosed sum
California Jockey Club and Bay Meadows Operating Club	California Jockey Club and Bay Meadows Operating Club	Patriot American	$239	
Grand Heritage	Grand Heritage	Patriot American	$22	
Promus	Promus	Doubletree	$4,700	
WHG Resorts & Casinos	WHG Resorts & Casinos	Patriot American Hospitality	$300	
Carnival Hotels & Gencom American Hospitality	Carnival Hotels & Gencom American Hospitality	Patriot American Hospitality	$485	
ITT	ITT Sheraton	Starwood Hospitality	£8	424 hotels in 62 countries for $13.3bn[1]
Orion Aparthotels	Orion Aparthotels	Westmount Hospitality	£125	11 city centre and 24 luxury aparthotels[1]
Westin Hotels & Resorts	Westin Hotels & Resorts	Starwood Hospitality	$1,570	219 hotels in 23 countries
Interstate Hotels	Interstate Hotels	Patriot American	£769	222 hotels sold
1998				
AGIP Forte International Hotels	Granada Group	ENI (Italian Oil & Gas Co.)		Sold 50% stake to reduce debts, ENI now looking for new international partner
Inter-Continental Hotels	Saisons Group	Bass	£1,780	187 hotels in 69 countries, 24 hotels in pipeline
Arctia	Arctia	Scandic	$100	22 hotels in Scandinavia
Savoy Group	Savoy	Blackstone	$520	5 hotels & 1 restaurant

1 Joint venture with Goldman Sachs Whitehall fund

Source: Pannell Kerr Forster

Pulling in the tourists - and their money

Top 20 tourism destinations

Rank 1990	Rank 1995	Rank 1996	Rank 1997	Country	International tourist arrivals million 1990	1996	1997	Market share % of world total 1990	1997
1	1	1	1	France	52.497	62.406	66.800	11.52	10.83
2	2	2	2	US	39.363	46.325	48.977	8.64	7.94
3	3	3	3	Spain	34.085	40.541	43.403	7.48	7.04
4	4	4	4	Italy	26.679	32.853	34.087	5.86	5.53
7	5	5	5	UK	18.013	25.293	26.052	3.95	4.22
12	8	6	6	China	10.484	22.765	23.770	2.30	3.85
8	7	7	7	Mexico	17.176	21.405	22.700	3.77	3.68
27	9	9	8	Poland	3.400	19.410	19.560	0.75	3.17
5	6	8	9	Hungary	20.510	20.674	19.478	4.50	3.16
10	11	10	10	Canada	15.209	17.285	17.556	3.34	2.85
16	12	12	11	Czech Rep.	7.278	17.000	17.400	1.60	2.82
6	10	11	12	Austria	19.011	17.090	16.575	4.17	2.69
9	13	13	13	Germany	17.045	15.205	15.828	3.74	2.57
–	18	14	14	Russian Fed.	–	14.587	15.000	–	2.43
11	14	16	15	Switzerland	13.200	10.600	11.077	2.90	1.80
19	15	15	16	Hong Kong (China)	6.581	11.703	10.534	1.44	1.71
13	16	18	17	Greece	8.873	9.233	10.126	1.95	1.64
14	17	17	18	Portugal	8.020	9.730	10.100	1.76	1.64
24	20	19	19	Turkey	4.799	7.966	9.040	1.05	1.47
21	21	20	20	Thailand	5.299	7.192	7.263	1.16	1.18
				Total 1-20	327.522	429.263	445.326	71.90	72.22
				World total	445.547	594.140	616.635	100.00	100.00

Top 20 tourism earners

Rank 1990	Rank 1995	Rank 1996	Rank 1997	Country	International tourism receipts $bn 1990	1996	1997	Market share % of world total 1990	1997
1	1	1	1	US	43.007	69.908	75.056	15.99	16.74
3	2	2	2	Italy	20.016	30.018	30.000	7.44	6.69
4	4	4	3	Spain	18.593	27.414	28.147	6.91	6.28
2	3	3	4	France	20.184	28.357	27.947	7.50	6.23
5	5	5	5	UK	14.940	19.296	19.875	5.55	4.43
6	6	6	6	Germany	14.288	17.567	18.989	5.31	4.24
7	7	7	7	Austria	13.417	13.990	12.393	4.99	2.76
25	10	9	8	China	2.218	10.200	12.074	0.82	2.69
11	8	8	9	Hong Kong (China)	5.032	10.836	9.635	1.87	2.15
8	9	10	10	Switzerland	7.411	8.891	9.015	2.75	2.01
65	15	14	11	Poland	0.358	8.400	9.000	0.13	2.01
14	14	12	12	Australia	4.088	8.703	8.900	1.52	1.99
9	12	11	13	Canada	6.339	8.969	8.825	2.36	1.97
13	13	13	14	Thailand	4.326	8.864	8.700	1.61	1.94
12	11	15	15	Singapore	4.596	7.916	7.950	1.71	1.77
–	23	17	16	Russian Fed.	–	6.875	7.318	–	1.63
10	16	16	17	Mexico	5.467	6.934	7.307	2.03	1.63
21	21	20	18	Turkey	3.225	5.962	7.000	1.20	1.58
16	17	18	19	Netherlands	3.636	6.256	6.597	1.35	1.47
15	18	21	20	Belgium	3.721	5.893	5.997	1.38	1.34
				Total 1-20	194.862	310.948	320.728	72.43	71.55
				World total	269.032	435.069	448.285	100.00	100.00

Source: World Tourism Organisation

TECHNOLOGY • by Roger Bray

Armchair booking catches on

Flying via the web may never have been easier, but there may be the odd catch

Chartered accountant Tony Upson was looking for a walking holiday. He cannot remember the exact words he keyed into his computer, but the internet search engine produced the ideal solution – a small UK tour operator offering breaks at a hotel in Andalucia.

The holiday included a series of hikes, led by an English guide, across ancient Mozarabic trails in the limestone mountains behind Spain's Costa Blanca.

"It was precisely what I was looking for," says Mr Upson. "I might have found out about the company by chance in the small ads of a newspaper, but if I hadn't used the internet I doubt whether I would have ever discovered it."

Surfing the net can be haphazard, too, and too few sites are updated with sufficient regularity. But it is already proving a potent means of matching discerning customers with such specialist companies and independent hoteliers – and for providing all travellers with information which may influence where they go and which airline they fly with.

Within a few minutes users can check the cheapest air fares on offer, search for hotels in an area they want to visit, see photographs of them, and call up a town map to find the nearest designer label factory outlets.

Users still grumble that the net is too slow, but it offers access to government warnings of health and crime risks around the world much more quickly than any other medium. And not only does it offer huge amounts of official information, such as that contained in the British Tourist Authority's 40,000-page site, which is attracting an average of about 141,000 visits a month. It is peppered with forums and personal sites containing quirky and sometimes critical views of destinations which may contradict the glowing prose of brochures.

Consumers remain hesitant about booking and paying online, however. In a survey of international long-haul business travellers, the International Air Transport Association (Iata) discovered that while 55 per cent of North Americans, 38 per cent of Europeans and 30 per cent of Asians accessed the net for flight information, only 8 per cent overall used it to book seats.

Of the majority who did not, 42 per cent said they still preferred going through their travel agents, 4 per cent thought it was too complicated, and the same proportion complained it was too slow.

As a result, many airlines and other travel companies are wary of introducing the software needed to accept secure payments before demand increases. At the last count, 146 of the 255 carriers belonging to Iata had web sites, but only a handful of them accepted reservations and payment online.

One that does is British Airways, which takes bookings via the internet in 71 of the countries it serves and allows customers in 30 of them to pay by keying in credit card details. Yet although its site is attracting around 1m visits a month it is taking only about 100 bookings.

Roger Flynn, the airline's head of distribution, describes these bookings as the "little acorns" from which great oaks grow.

The potential for online reservations, even in this age of mighty technological leaps, is staggering. Software now becoming available enables travellers to make new bookings – or change old ones – wherever they are. For example, when Air Canada opened its "Cyber Ticket Office" last October the first international booking it took came from a business traveller, using a laptop in Beirut, who wanted to fly via Paris to Montreal and Vancouver – and back to Paris.

In the US, the total value of internet travel sales is forecast to top $1.8bn this year and to reach $8.6bn by 2002. Two big online agencies alone – Travelocity, an arm of the Sabre computer reservations empire, and Microsoft's Expedia – look likely to generate $300m of revenue between them this year.

Jupiter Communications, the electronic media research organisation, says online travel sales in the US totalled $911m last year and will reach $11.7bn by 2002.

By comparison, the internet's penetration in Europe is tiny. Datamonitor, the research company, says online travel bookings there totalled $7.74m last year – or 7 per cent of all such commerce. But it predicts that as European consumers catch up with their American counterparts, that figure will rise to $1.7bn by 2002, when Europeans will represent 35 per cent of the overall market.

These figures must be seen, however, in the context of a world tourism industry which was already generating $425bn in 1995 and which is expected to grow at a rate of 4 per cent or more a year until 2010. Trade through the internet can be expected to grow sharply, however.

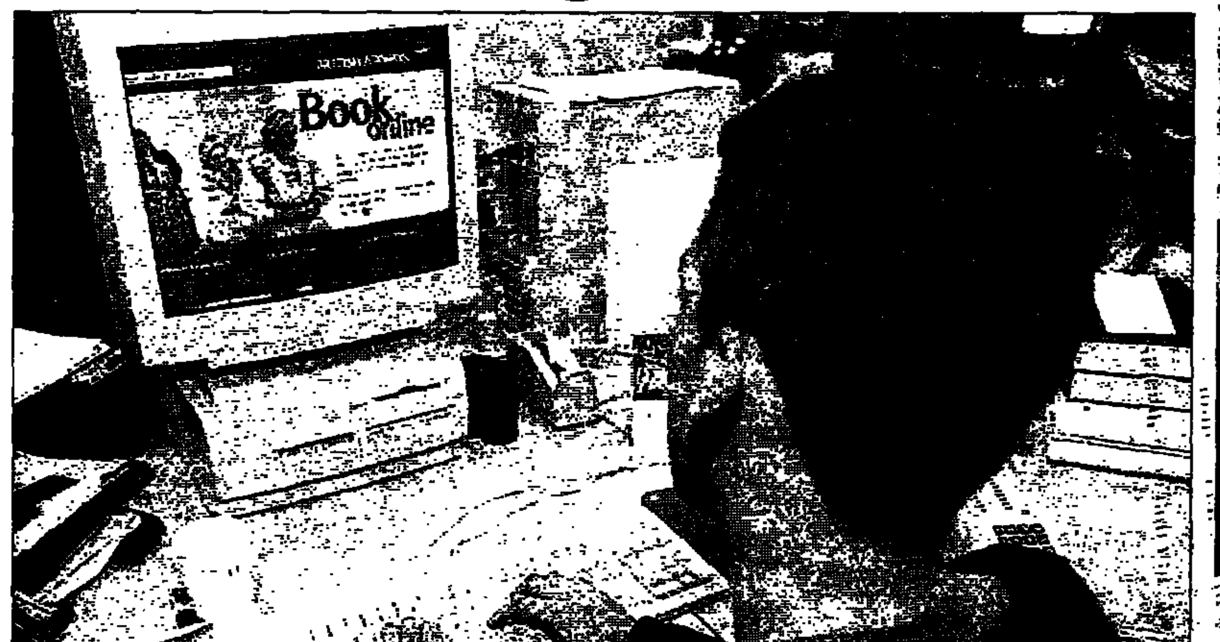
Conventional wisdom in the UK is that such growth will come through people looking for cheap, last-minute flights. Jupiter reckons that while airline bookings now represent 84 per cent of the US online travel business, its share will shrink to 59 per cent in five years, while hotel and car hire reservations will more than double.

John Wallis, international marketing vice-president of Hyatt International, the hotel chain, goes even further. Last year the group took online bookings worth some $4m – about 1.4 per cent of total revenues – and the online take for March of this year alone was $1.4m. Mr Wallis expects online bookings to reach some $80m – 10 per cent of the total – in four years' time.

Retail travel agents have mostly accepted that, rather than resist the change, they should turn it to their own use and add the value of personal service.

A belief persists that that many consumers will always want human contact with an experienced agent who can offer sound, unbiased advice. Some agents are considering whether they could set up short-cuts to a wide range of direct booking sites on the web, saving customers the need to spend time doing it themselves. They point out that their knowledge makes them better equipped than the individual traveller to find the best deals.

As Tony Hughes, chairman of the Guild of British Travel Agents, puts it: "We are long past the stage where the internet is seen as a threat. In fact, we now see it as a business tool to harness for the future."



Many bookings, including flights on BA, can now be made from an office PC or a traveller's laptop

Photo: Jason Orton

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CRUISING • by Charles Batchelor

Younger set take to the ocean life

Rising demand for holidays afloat is good for operators and shipbuilders

Forget about deck quoits and blue-rinsed matrons sipping tea in the sun lounge. Grand Princess, the latest addition to P&O's fast-expanding cruise fleet, *features a glass-walled* "disco pod" suspended 150 feet above the waterline "accessed from the sports deck below by a glass-walled travelator".

Cruising is no longer the *preserve of the elderly rich* – though they still make up a large slice of those who holiday afloat – but is appealing to the younger, more energetic tourist set.

This change in image has led to sharply-rising numbers of cruise passengers and to a building boom in the handful of shipyards which specialise in cruise liners. A total of 4.86m North Americans took a cruise in 1997 – an increase of 8.6 per cent on the previous year – while the UK market expanded by 25 per cent to 521,500 passengers.

The British, along with the continental Europeans, are increasingly forsaking the traditional beach-based package holiday for a week or two afloat. The number of German cruise passengers rose 12.3 per cent last year to *401,000, while even the small* Spanish market expanded by 29 per cent to 35,000 passengers.

"Cruising is growing faster in popularity than any other form of holiday," says Bill *Gibbons, director of the UK's* Passenger Shipping Association. "We expect the investment made by cruise companies in new and refurbished ships and in new itineraries will mean continued growth for some years to come." The association forecasts that more than 600,000 Britons will take an ocean cruise this year.

The growing popularity of cruising has attracted new players such as Disney, Airtours, Thomson Holidays and Saga Holidays into the market, extending the appeal of the sector by offering more informal, more affordable cruises.

The established cruise operators, meanwhile, have been expanding the size of their fleets with ever-larger vessels. The Grand Princess, which made her delayed maiden voyage last month, *weighs in at a* record-breaking 109,000 tons, but she will be surpassed by a 130,000-ton vessel being built for Royal Caribbean Cruise Line and due for delivery in 1999.

P&O and its US Princess Cruises subsidiary have no fewer than six ships on order costing a total of $1.5bn. They will add 12 per cent a year to the group's passenger capacity in each of the next five years.

Fears that the new buildings would swamp the market – prevalent when the 69,000-ton Oriana, with cabins for nearly 2,000 passengers, was "named" in 1995 – have been overcome. The present concern is that too modest a building programme will result in missed opportunities.

Carnival, the US company and the world's largest *cruise operator, has an even* more ambitious building programme with $3.5bn of new ships on order. It is also completing the acquisition of Cunard, one of the most famous names in the cruise *shipping industry and owner* of the QE2. This purchase from Kvaerner, the Norwegian shipbuilding and construction group, will add five to the Carnival fleet.

But Micky Arison, Carnival's chairman and chief executive, believes that so little of the market potential for cruising has been tapped that the new capacity will be absorbed easily. Studies of the North American cruise sector put the potential size of the market at 35m to 50m passengers.

Despite the widening of the cruise market, it still draws many of its customers from among the wealthy. They are better able to weather recessions than other sectors of the tourism industry. Cruise passengers are typically people with savings rather than those still paying off a mortgage.

The larger vessels now being delivered – Grand Princess will have 1,396 cabins with room for up to 3,300 passengers plus a crew of 1,100 – give their owners huge economies of scale. But *there is still scope for the* smaller ship. Royal Olympic Cruises, a Greek operator, bought two secondhand ships, of 12,000 tons and 18,000 tons respectively, earlier this year to increase its fleet to seven ships.

In the market for conventional vessels, there are signs that the limits of size have been reached. The largest cruise liners cannot pass through the Panama Canal, while the number of destinations capable of providing shore facilities for thousands of passengers is also limited.

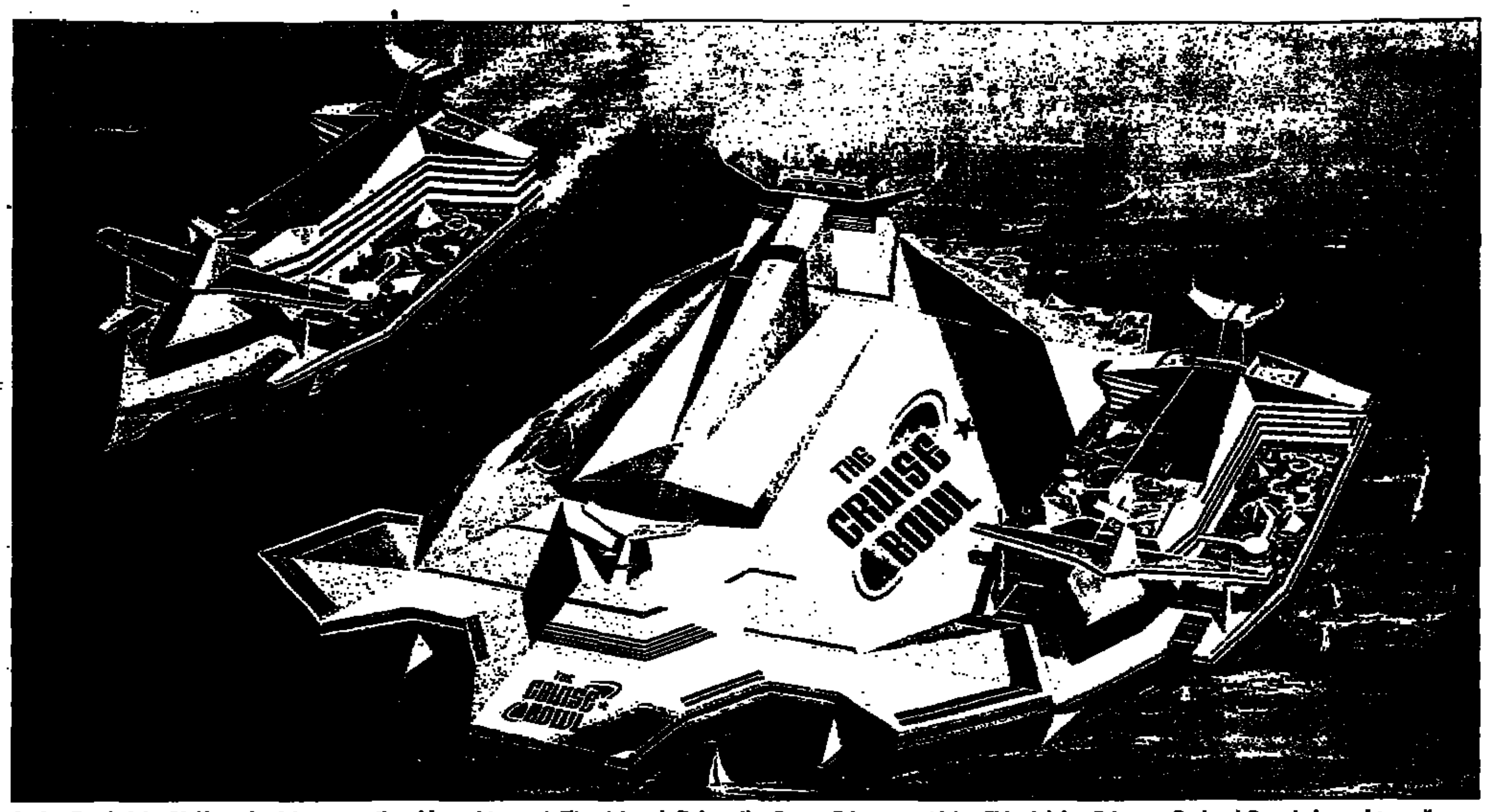
But a new market for unconventional cruise liners *may be about to be* developed. John McNeece, a London-based designer of cruise ships, has put forward proposals for a 500,000-ton, 12-deck ship costing $1.5bn.

This vessel, known as the *Cruise Bowl, would comprise* a mothership of 240,000 tons with two detachable satellites of 130,000 tons each. The mothership would house a 12,000-seat arena to stage concerts and sporting *events, while the satellites would provide cabins, shops* and poolside areas.

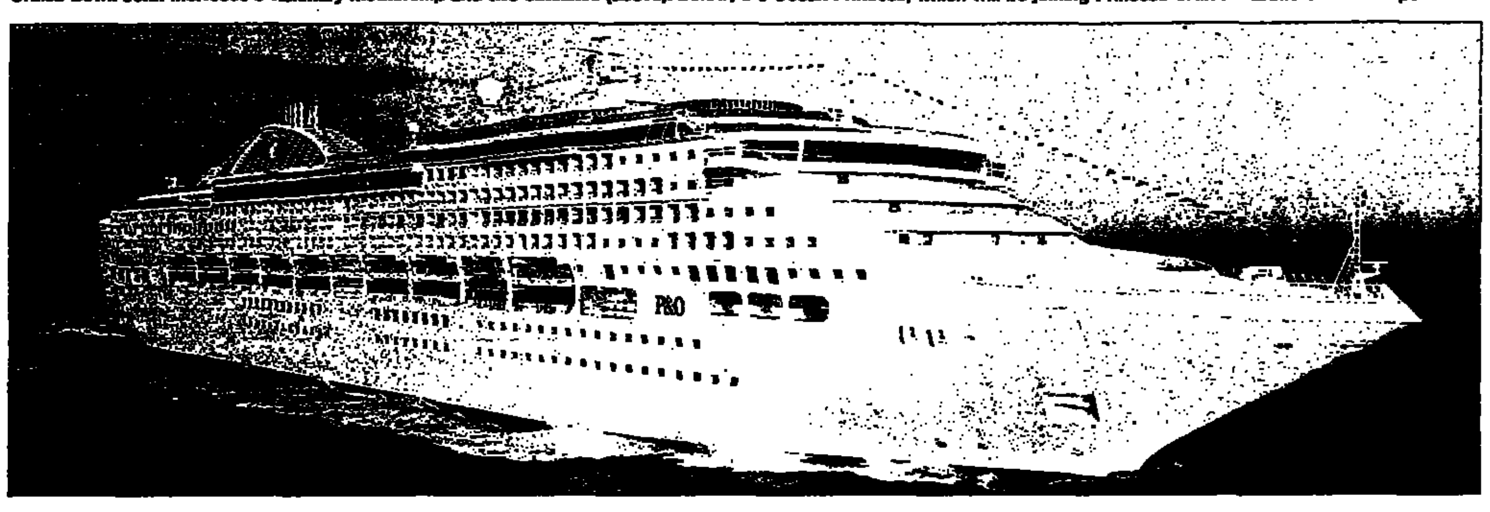
Mr McNeece believes this approach would overcome the problem that the limited show lounges on even the largest of current cruise *vessels cannot accommodate* top acts.

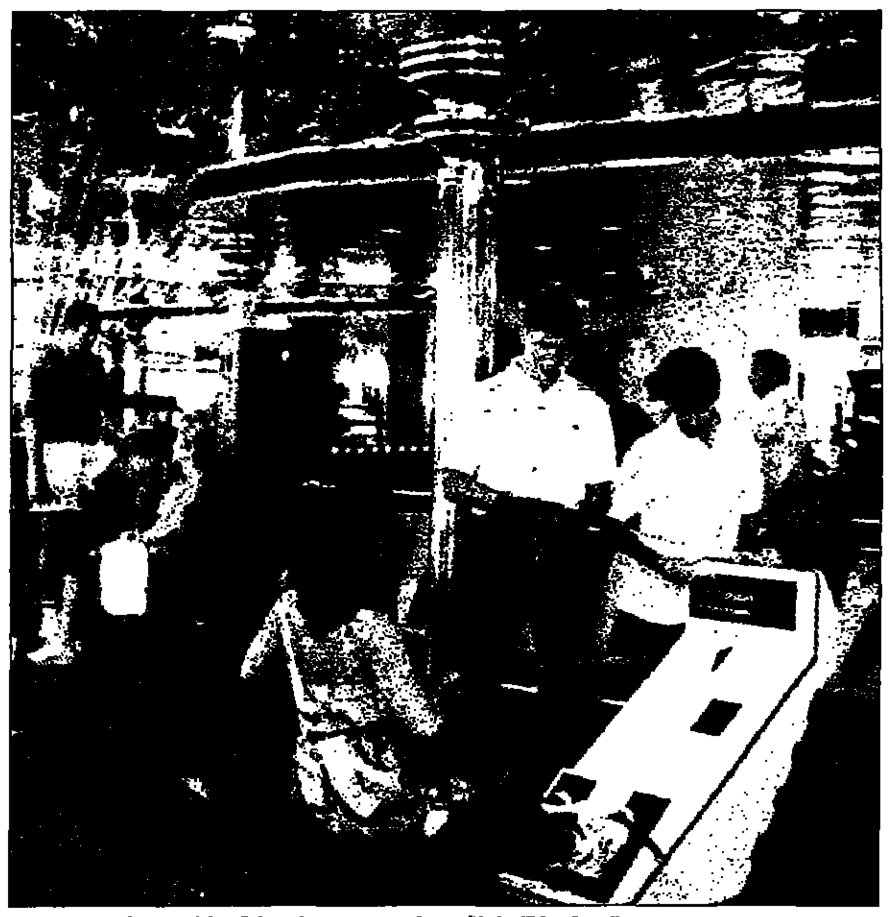
He says: "If we have an 'event' as the crowd-puller the cruise becomes the add-on. In other words, it's not a cruise but a *sports cruise or a rock cruise or a combination* of both and priced accordingly."

Mr McNeece acknowledges that the revolutionary nature of this proposal would require a backer "who *relishes innovation*". The established cruise operators are sceptical. At a time when the conventional notion of cruising is enjoying such success there will be few supporters of change on such a *scale*.



Cruise Bowl: John McNeece's visionary mothership and two satellites (above). Below, the Ocean Princess, which will be joining Princess Cruises' Grand class of superliners





Getting ship-shape: P&O's Oriana has a gymnasium with facilities for all ages

TIMESHARE • by Scheherazade Daneshkhu

Problems are on the decline

The sector has cleaned-up its image – helped along the way by legislation

The timeshare industry is probably best known for having a bad name. So it may come as some surprise that it is also one of the tourism industry's fastest-growing sectors, increasing at an annual rate of almost 20 per cent – well above the rate of international tourism arrivals – since 1980.

The value of timeshare sales has grown from $490m in 1980 to $5.7bn in 1997. The number of timeshare owners has increased from 155,000 to 3.8m over the same period.

Timeshare has its roots in the property sector. It began in the late 1960s in the French Alps and was taken up in the US during the oil price rise in the mid-70s. Developers were left with empty properties after a building boom in Florida and used the idea of timeshare to sell each apartment in one-week portions.

Timeshare has since spread to most parts of the globe, with new resorts being developed from India to Aruba.

The industry's mantra is that you are getting tomorrow's holidays at today's prices. Holidaymakers have the right to use accommodation for a specified number of weeks over a specific period of time (or sometimes for ever).

Purchasing the right involves paying an initial *lump sum and an annual* maintenance fee. Many people also pay an optional annual membership fee to an exchange company so they can swap their weeks for a holiday at a different resort.

An Office of Fair Trading report published in the UK in 1990 concluded that the cost of timeshare did not seem to compare favourably with that of a series of annual self-catering holidays. But it also said that the majority of timeshare owners writing to the office during the year-long investigation were content with what they had bought.

That report was prompted by consumer complaints about the high-pressure selling techniques employed by some operators. These included inviting holidaymakers in a resort to go to collect a prize only to find themselves subjected to two hours of timeshare sales talk. The OFT recommended a new *law to protect* consumers.

The Timeshare Directive of the European parliament which was drawn up in 1994 for implementation by EU member-states by April last year is aimed at *reinforcing* consumers' rights. The measures include requiring a 10-day cooling off period so buyers can withdraw even after signing a contract, and prohibiting advance payments for a timeshare.

Although only five EU member-states have enacted the regulations, others are close to doing so, including Spain, where much of the timeshare sold in Europe is situated. In the US, where the industry has distanced itself from the negative image of timeshare by renaming it vacation ownership, similar legislation was developed in the 1980s.

"There are still problems, but far less than there used to be," says Neil Cooper, chief executive of The Timeshare Council, the UK-based industry body. "And once the legislation is in force in Spain they will probably disappear at a stroke."

Greater consumer protection has contributed to the recent rapid growth of the industry, as has the arrival of exchange companies. RCI, the larger of the two main international exchange companies – with a market share of 70 per cent – was bought by Cendant, the US direct marketing company, in 1996 for $625m. Miami-based Interval International, the other large exchange company, was acquired in 1997 by a consortium led by Willis Stein, a Chicago-based investment group.

Eric Pfeffer, president of the hotels division of Cendant, says the high rates of growth in the timeshare industry make it an attractive one in which to invest.

"At the beginning of any product, when people get aggressive and there is no power administering the ethics, some developers can create a tarnished image. Now there is more regulation and more flexibility to exchange properties. Things have also changed because of the entry of international chains such as Hyatt Hotels and Ramada."

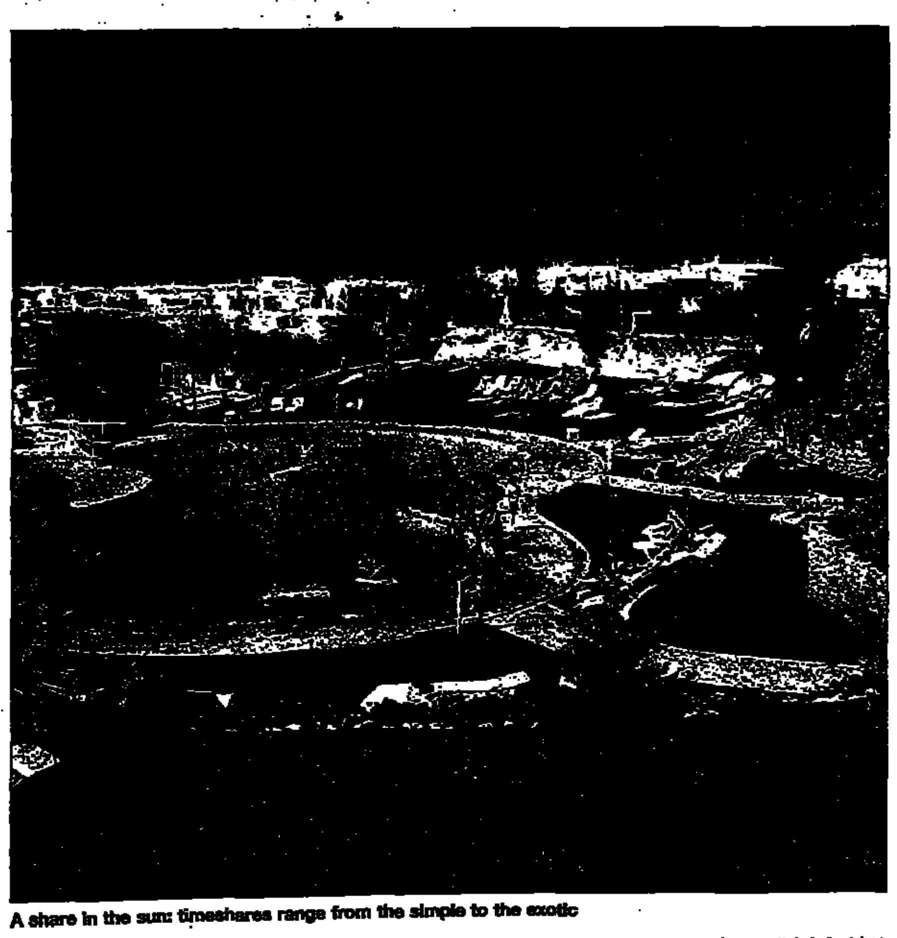
Marriott was one of the first of the international hotel chains into the US timeshare industry and was followed by Hilton Hotels *Corporation* and Disney. Four Seasons, the luxury chain, opened its first timeshare in California last year. Airtours, the UK package holiday group, has also entered the industry with a resort in Florida.

Although the hotel chains have confined themselves in the main to North America and the Caribbean, Marriott has recently entered the European timeshare market.

Deborah Anthony, partner in the hospitality division of Arthur Andersen, the accountants, says the potential for generating very large returns is so great that there is little doubt that more *operators will enter the* industry. She believes that one reason why more have not already entered may be because marketing costs are still very high.

The quality of many of the new developments is five-star standard, making timeshare aspirational, particularly for those who would like a second home but cannot afford one, according to Mr Cooper at The Timeshare Council. "Initially timeshare was a new thing but now it has come of age. We are likely to see the same rates of growth continuing."

Mr Pfeffer agrees. "Vacation ownership has penetrated 3 per cent of US households. It's only a 20 year industry – this is just the beginning."



A share in the sun: timeshares range from the simple to the exotic

Trends in worldwide resort timeshare industry

Year (Dec 31)	Timeshare resorts	Timeshare owners	Intervals sold	Sales volume $bn
1980	506	155,000	100,000	0.490
1982	950	355,000	205,000	1.165
1984	1,550	620,000	275,000	1.795
1986	1,779	970,000	240,000	1.610
1988	1,899	1,310,000	330,000	2.390
1990	2,357	1,800,000	405,000	3.240
1992	3,060	2,363,000	500,000	4.250
1994	4,145	3,144,000	560,000	4.760
1995	4,350	3,384,000	580,000	5.000
1996	4,500	3,500,000	620,000	5.300
1997	4,700	3,750,000	645,000	5.670

Source: RCI

GREEK AIRPORTS • by Kerin Hope

Improved services at regionals are arriving

Introduction of a computerised flight control system should ease delays

Revenues from the "spatosimo," a controversial airport tax, are providing Greece's civil aviation authority (YPA) with a steady stream of cash to carry out a long-awaited upgrading of the country's international airports.

The tax, paid by passengers departing from Greek airports, was introduced in 1993 to help finance the construction of a new international airport for Athens at Spata, east of the capital. But public anger over the decision forced the government to revise its plans.

Instead of being allocated exclusively to the Athens airport project, income from the spatosimo is shared with YPA, with about Ecu150m yearly being channelled to more than 20 regional airports which serve local communities year-round and become Greece's main tourist gateways during the summer.

At Ecu20 for international passengers and Ecu10 for domestic ones, the departure tax is higher than at most international airports. But protests from tour operators and charter carriers are fading as facilities improve at the big regional airports which handle the bulk of tourist traffic: Heraklion and Hania on Crete, Thessaloniki, Rhodes, Corfu and Kos.

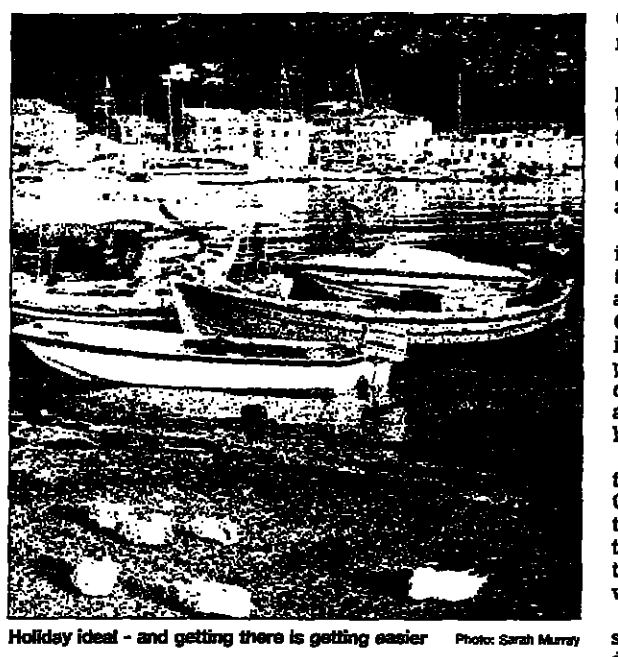
"The new Athens airport will be a world-class facility, intended to become a hub for south-east Europe," says Elias Christou, YPA's deputy governor. "But Greece will also have another half-dozen airports that are internationally competitive."

A consortium led by Germany's Hochtief group is constructing the new Athens airport on a build-operate-transfer (BOT) basis. It will be operated by the Athens International Airport Company, a partnership between the Greek state and Hochtief, which holds a 40 per cent equity stake and will manage the airport.

The airport will cost Ecu2.5bn and is due to open in March 2001. In the first phase Spata will be able to cater for 16m passengers yearly, a 60 per cent increase on the current number of passengers using Athens airport. It may later be extended to handle up to 50m passengers a year.

A toll highway linking the new airport with Athens, 17km away, is under construction, and there are plans to build a light railway along the same route.

With less than three years to go before the current facilities at Hellenikon are closed, improvements at Athens are being limited to making its three small terminals operate more efficiently. After the move to Spata, most of the 1,100-hectare site will become a park for southern Athens, with areas set aside for sports facilities and a small zone reserved for building high-quality office space.



Holiday ideal - and getting there is getting easier Photo: Sarah Murray

However, YPA will remain responsible for Greece's regional airports. A strategic plan calls for spending Ecu1bn over the next five years to extend terminal buildings, lengthen runways, and instal approach radars. By the end of the year approach radars will be operating at Heraklion, Thessaloniki, Corfu and Rhodes, Mr Christou says.

An Ecu500m scheme to upgrade Thessaloniki airport, the biggest in northern Greece, is under way. As well as handling increasing numbers of east European and Russian tourists heading for northern Greek resorts, Thessaloniki is intended to become a second, smaller hub for the south Balkans and the Black Sea region.

Thessaloniki will serve business passengers making short hops to Sofia or Bucharest or taking longer flights to Ukraine or Georgia. These destinations have become important for Greek businessmen because of rising trade and investment by Greek companies in the region.

Other regional Greek airports, however, mainly serve the tourist industry. Most of the 10m tourists who visit Greece every summer travel directly to the islands aboard charter flights.

"The challenge for Greece is to raise services in the tourist industry to Spanish and Italian levels," says Mr Christou. "This means having the infrastructure in place. We need runways that can take wide-bodied aircraft and more efficient ground-handling operations."

This summer should see the official launch of Greece's new air traffic control system which will bring the Athens flight information region into line with western Europe.

The fully computerised system is expected to reduce delays at Greek airports by increasing hourly numbers of landings and take-offs and will also allow larger numbers of commercial aircraft to use Greek airspace.

In the longer-term, tourist traffic will be routed to 17 airports on larger islands and around the mainland coast. The new destinations will include lesser-known islands such as Lemnos and Skyros, and the district around Preveza in western Greece.

But there are no plans to build more regional airports, while an existing scheme to enlarge airports on several smaller Aegean islands that are attracting increasing numbers of tourists is being re-examined on environmental grounds.

Faster sea transport would enable tourists to reach neighbouring islands from international airports on islands such as Mykonos and Santorini, Mr Christou says. "There will be many more hydrofoils and catamarans coming into use in the next few years. There is no need for an airport on every Greek island."

PROFILE Olympic Airways

State carrier charts course for survival

Olympic Airways, the lossmaking Greek state carrier, faces a survival test this summer. Its performance over the next few weeks will determine whether an EU-backed financial rescue package can be revived. If not, the socialist government says it will close the airline.

On the tarmac – but the airline is threatened with being grounded permanently

The good news for Olympic, which still enjoys a near-monopoly on domestic routes, is that Greece expects to host a record number of tourists this year. Bookings soared following the drachma's 12 per cent devaluation against the Ecu in March.

The bad news is that intermittent strikes and work stoppages have sharply reduced passenger numbers. Rather than risk delays and cancellations, most Greeks travelled by road or ship at Easter, the most important local holiday. Revenues fell so sharply that Olympic had to take out an emergency loan last month to finance pay-roll costs.

Olympic's management says it hopes to cut operating costs by Dr42bn this year through a salary freeze, cuts in benefits, and the elimination of lossmaking long-haul routes. But the pilots' and cabin crews' unions are still contesting the package.

Last year the airline lost Dr6.5bn, mainly because managers awarded execssive pay rises to senior staff. The average increase for its 6,500 workers reached 20 per cent but pilots received increases of up to 80 per cent.

"It's touch-and-go whether Olympic will make it," says a senior executive. "Cash-flow is looking a bit better, but we desperately need the EU package to go ahead to make sure of getting longer-term financing."

To win back passengers Olympic is offering half-price fares on scheduled flights to European cities this month. The domestic schedule will be revamped next month with the arrival of seven leased Boeing-737s.

Rather than pay overtime to pilots in order to keep the intensive summer schedule operating, Olympic is hiring 40 to 50 young pilots at lower salaries. Because cabin crews are refusing to comply with the cost-cutting plan and work longer hours, some international routes are being merged.

The government, however, has stopped intervening in Olympic's day-to-day operations. It has distanced itself from the airline's management and told state-controlled banks that Olympic can no longer borrow on privileged terms.

Such moves make it easier to revive an EU restructuring package frozen by the European Commission almost three years ago because of political interference in Olympic's management and a dispute over subsidies.

Olympic is seeking a Dr35bn capital injection and Commission approval of state guarantees for $375m in loans to renew its fleet. The airline placed orders last year for aircraft worth $1bn but has not yet arranged a financing package.

"The new aircraft are urgently needed," says the Olympic executive. "We operate the oldest fleet in Europe, and our maintenance costs are much too high. The technical staff have to work overtime year-round to keep the aircraft flying."

Competition is intensifying on profitable domestic routes as small private Greek carriers expand their services. The deregulation of domestic flights on July 1 opens the way for international airlines, including low-cost carriers, to operate scheduled flights from European cities to the Aegean islands.

Yet, despite its problems, Olympic is still the first-choice carrier for travellers from eastern Mediterranean countries. It also has an extensive network of routes to the Balkan countries, where competition from local and central European carriers is still weak.

If Olympic manages to break-even over the tourist season and secure EU approval for its financing package it will start looking around for a strategic partner. But unless its managers can make peace with the pilots, few international airlines would be interested in forming an alliance.

Kerin Hope

UK TRAVEL INSURANCE • by Clare Gascoigne

Finding cover in the sun

There's plenty of competition, but fraud will help push up UK policy rates

It's a funny old world. Lose your watch down the back of a cosy chair and you forget about it. Lose it on a Spanish beach and it magically transmogrifies into a Rolex.

"Interestingly, it's always the most valuable and expensive things that seem to get lost on holiday," says Suzanne Moore, of the Association of British Insurers (ABI).

Policyholders who are economical with the truth cost the UK travel insurance industry about £50m a year – too much for a market whose annual premiums only total about £450m to £500m. And with the summer holiday market now getting into full swing, ABI members are planning a crackdown on fraud, with tougher checks to find the multiple claims and mythical hospitals of the insurance claim.

Fraud may be currently high on the agenda, but the travel insurance industry faces deeper-rooted problems.

"The market is very, very soft at the moment," says Sarah Joannides, marketing manager at Home & Overseas, the travel arm of Eagle Star. "There are a lot of new underwriters. The only certainty is that rates are going to go up at some stage in the next 12 to 18 months."

Fun on the slopes, but does your your policy cover ski-ing?

Competition is certainly fierce. Travel insurance is available from a plethora of sources: through your travel agent, from your bank, via a direct seller, as a perk added on to your credit card. You can even buy it off the shelf on the high street, with some stores offering travel policies over the counter.

"Consumers will have a field day with cheap rates, but there is a danger that some of the smaller companies will go bust," says Ms Joannides.

Travel agents and tour operators still take the lion's share of the travel market, accounting for some 60 per cent. Such dominance is more the result of consumer apathy than a measure of the excellence of the policies; not that the policies are necessarily poor quality, but they are probably overpriced.

Part of that overpricing stems from an historical inconsistency that was sorted out in the UK government's last Budget. Insurance premium tax is currently charged at 4 per cent on policies sold by direct sellers, brokers and the banks, but at 17.5 per cent on policies sold through travel agents and tour operators. This will be evened out on August 1, after which everyone will pay at 17.5 per cent – a decision that caused much anger within the industry.

"The implication is that travel insurance is a luxury – whereas we would argue that it is not, particularly if you are travelling in the US," says Ms Joannides.

Few of us (albeit a growing number) are sufficiently clued up to take out an annual policy – despite such policies often working out much cheaper, especially if you take two or three trips a year. Most of us don't even think about what is admittedly an unexciting subject until we are writing out the cheque for the fortnight in the Maldives – and 20 per cent of us don't think about it at all.

The travel business has also managed to hook in consumers by linking discounted holidays to the compulsory purchase of insurance – a practice which has been condemned by the UK Monopolies and Mergers Commission, and may yet be outlawed. Sometimes it is worth paying the extra and finding your own insurance through a broker or direct seller.

"People are much more aware of the need to shop around," says Ms Moore. "The market is more fluid."

However, there is no denying the huge advantage the travel business has: just as mortgage lenders are in pole position to sell household insurance, so travel agents are the perfect channel to sell travel insurance. Until the consumer wises up and gets canny, the travel business will continue to make healthy profits from travel insurance.

The policies on offer may suit your needs down to the ground, but you do need to watch out when buying a standard, off-the-shelf policy. Many will not cover activities considered dangerous, such as water-skiing or scuba-diving – even safari holidays could need special cover.

If you are travelling in the US or Canada, check that your medical expenses and personal liability cover is high enough: you should have about £2m worth of cover for each.

Given the competitive nature of financial services at the moment, you may end up paying twice for cover; baggage, for example, may well be covered through your household contents policy, if it is an all-risks policy. C&G household insurance include stravel as standard.

Finding modular cover to build your own policy can be done, although it may involve leg-work; most travel insurance policies are pretty standard. And Ms Joannides warns that taking baggage cover off a travel policy may not save you a great deal – typically about 10 per cent.

Interestingly, if you are covered under two policies and do make a claim, the industry has agreed that both insurers will share the cost of the claim – so you may find your travel insurer wants to know the name of your household insurer. But if you claim on your travel policy, your household policy, whether premiums or no-claims bonus, is unaffected.

The Business of Travel

The FT's quarterly review of the business travel sector is scheduled to appear next on Thursday September 10 1998. Topics planned include:

Hotels: Minibars. Branding. Asian hotels. Health clubs.

Travel management: The euro and you. Intranets.

Air travel: BA's new Heathrow headquarters. Disabled travellers. Frequent flyer schemes.

Regular features: Conference, exhibition listings. Technology. Getting Around Scandinavia.

CURRENCY MOVEMENTS • by Roger Bray

Strong sterling still making its mark

Not only is the number of visitors to the UK down, spending patterns are changing

For those who earn a living from visitors to Britain, the strong pound is a smouldering fuse. Will it fizzle out, or will it touch off a blast powerful enough to blow away the industry's recent impressive gains?

Widespread optimism persists among hoteliers and others at the sharp end of the business that sterling's buoyancy will cause little damage – and certainly not this year.

Others are less sanguine, pointing out that it is beginning to have an impact already. There are signs, for example, that foreign visitors are doing less shopping.

In the first three months of this year the number of visitors arriving in the UK fell by 7 per cent compared with the same period of 1997. There were 10 per cent fewer Europeans, though industry sources suggest that the French market was down by significantly more and that arrivals from the Middle East, Africa and Asia dropped by 12 per cent.

These statistics should not be taken entirely at face value. Several percentage points must be lopped off the figures because Easter was in April, whereas last year it was in March. The fall in tourism from parts of Asia has more to do with ailing economies and plummeting currencies there than it has with the rise of sterling, and arrivals from the US rose sharply during the quarter.

Despite these qualifications, however, the overall downturn is ominous. David Quarmby, chairman of the British Tourist Authority (BTA), says: "A 10 per cent increase in the value of the pound against other currencies can lose £1.5bn of revenue from overseas visitors and 50,000 tourism jobs – although the full effect can take 18 months to work through."

The BTA still predicts that, overall, the number of tourists visiting the UK will increase by 3 per cent this year from the 1997 total of 26.2m. It believes business from Europe will be up 2 per cent despite everything, and that from across the Atlantic – including Central and South America – it will rise by 11 per cent.

Its bullishness is backed by the British Hospitality Association. Jeremy Logie, that organisation's chief executive, says: "The number of foreign guests may be down a little bit but there is no sign of a significant shortfall. Some visitors are cutting the length of their stay, but there is no indication that they are trading down to cheaper accommodation. Room rates are holding up well."

However, the British Incoming Tour Operators' Association (BITOA), whose 310 members handle around 40 per cent of all arrivals from abroad, is much more pessimistic.

"We forecast a 6 per cent fall overall," says chief executive Richard Tobias, "which works out at just under 1m tourists and represents about £500m of spend. "And we reckon our figures are more accurate than the BTA's, which include day visitors, who made up nearly 10 per cent of last year's total.

"So far western Europe is showing the biggest drop of the lot. Asian markets are down by around 30 per cent, but you have to be careful with that figure because arrivals from some countries are more depressed than from others. For example, Singapore and Hong Kong are holding up quite well; Thailand is not."

How is all this affecting the UK industry? BITOA members say tourists are typically visiting three attractions – such as theme parks – where last year they might have taken in four. And they dispute the British Hospitality Association's claim, insisting that while five-star hotels have remained relatively immune, travellers on tighter budgets are staying in three-star, rather than four-star hotels.

Though sterling has fallen a little from recent dizzy heights, logic suggests BITOA is right to be cautious. A vivid illustration of the currency impact on hotel prices comes from a report just published by management consultants Pannell Kerr Forster. It shows that while average achieved rates in London – the amount guests paid rather than the published rates – rose by 9.8 per cent in sterling terms but by 32.6 per cent if calculated in D-Marks.

Pamela Webber, economist at the British Retail Consortium, says: "The strength of sterling is definitely having an impact. The major stores in London are telling us this, and VAT reclaims by tourists are down.

"It is also having an impact in other tourist areas, such as York and Canterbury. The tourists are still coming to London – but they must be sightseeing rather than shopping."

The contention that currency fluctuations have a delayed reaction is borne out by last year's figures. Four per cent more tourists came in defiance of the fact that sterling strengthened by 17 per cent against a basket of currencies commonly used by the Bank of England. And they spent a total of £12.8bn, a rise of 3 per cent on the previous year.

BTA economist Chandra Sonpaul says: "Sometimes it takes time to sink in that a country is becoming more or less expensive. The impact on short-haul travel can be quite quick. The French market, for example, can make instant decisions to come here and do some shopping. But with the long-haul market it can take longer."

It is some compensation for the UK domestic travel industry that the pound has not appreciated as strongly against the US dollar as it has against some European currencies. The dollar's average value against sterling last year was 1.64, compared with 1.56 the previous year. And while it has risen to around the 1.70 in recent months, its level now is little different from last summer's.

Mr Sonpaul does not believe that is enough to deter travellers. "In my opinion the variation would have to be anything between 15 and 20 per cent over a medium to long period to make any significant difference".

If he is right, the crucial issue for Britain's tourism industry will not simply be sterling's current flight level but how long it can maintain altitude.

London's Oxford Street continues to attract hordes of shoppers, but many towns and cities are feeling the pinch

Not only does national tourism satellite accounting measure spending by visitors on travel services such as accommodation and transport, but it also measures retail purchases by tourists of goods such as cameras, fuel, toothpaste and sun hats *Courtesy WTTC*

SATELLITE ACCOUNTING • by Marian Edmunds

Trying to make it add up

Measuring the real worth of tourism may lead to more accurate planning

The World Travel and Tourism Council (WTTC) estimates that tourism and general travel accounted for 10.7 per cent of worldwide gross domestic product in 1996, and this figure is predicted to rise to 11.5 per cent by 2006.

Exact figures are difficult to come by, however, as most governments do not use the same rigorous accounting methods they use for other industries. Nor do traditional methods from the demand side penetrate the inter-activity between tourism and non-tourism economic activities.

The World Tourism Organisation (WTO), the WTTC, and the Organisation for Economic Co-operation and Development (OECD) are all proponents of the Tourism Satellite Account (TSA), a method similar to that used by other industries which reconciles the demand approach (spending by visitors or on their behalf) and the supply approach.

The TSA measures tourism-related economic activity and determines what percentage of each industry comprises tourism. For instance, tourism will form a high percentage of the account for hotels but restaurants might have a smaller percentage if they are used predominantly by local residents.

"TSA is the only way to have an overall view of tourism's impact on the economy on an equal footing with other areas of household consumption," says Enzo Paci, chief of statistics, economic analysis and market research for the WTO.

A draft TSA has been submitted by WTO to the United Nations to measure its consistency with the UN system of national accounts.

The WTO has also helped the Dominican Republic to launch its TSA. Since implementation, that nation's measurement of tourism's contribution to GDP has risen from 7 to 17 per cent.

While the WTO, the WTTC and the OECD are united in their support of TSA, they differ in some details. "The WTTC's TSA method can be considered as an extension of the basic system of the accounts," says Mr Paci.

The WTO hosted a meeting at its Madrid headquarters in March at which 25 countries and representatives from leading industry groups associations and the OECD and WTTC attempted to unite their aims.

"It is a kind of marriage, or interface, of the public and private sector," says Geoffrey Lipman, president of the WTTC. "Had it been left just to the public sector, the nature and form of the satellite account would have been quite different and would not have brought out some of the things which we believe are important. "That would have missed the flow-through effect where an element of GDP is driven by consumer demand for a travel product," he says.

"It is easy to prescribe the satellite account for those things you feel you can control but then you miss out on some of the real impacts. Policymakers from the transport sector will not look seriously at figures if they exclude things which are relevant to them," he says.

The WTTC, a global coalition of about 70 chief executive officers in the travel and tourism industries, has invested $2m in the past eight years to work with WEFA, a world-renowned economic forecasting company, on an interim system to stimulate satellite accounting.

The WTTC has also published educational brochures on TSA. The contribution of travel and tourism to GDP and employment is recorded under consumer or visitor spending; government spending to provide services to visitors and travel companies; capital investment in infrastructure and facilities; and foreign trade. Tourism does not currently fall within any of the designated industrial classifications used to gather data for GDP, although it does figure in balance of payment calculations.

Some nations are well advanced with TSA: Canada introduced an account in 1994 and is now able to break down the impact of tourism on various sectors. It has determined, for instance, that air travel accounts for 20 per cent of the total tourism expenditure while travel by car follows closely behind at 17 per cent.

Mexico is preparing to launch a TSA within a year and several countries including the US and the UK have undertaken assessment programmes.

Egypt's satellite accounting working group has already changed some of its procedures for measuring arrivals with Egyptians residing abroad counted as tourists when they visit the country.

Start-up costs for a TSA can be high, but less so for countries with sophisticated means of gathering statistics, such as the UK.

To implement a TSA two basic principles must be decided, says Mr Francesco Frangialli, secretary-general of the World Tourism Organisation which has put TSA as the top of its agenda for the coming year. The first is to agree on the universal definition of a tourist. Is it someone who stays outside their normal environment or is it someone visiting a restaurant on the other side of a city?

The second is that the satellite account should be applicable to all countries, and that it should be as consistent as possible with the UN system of national accounts.

TSA will be discussed at the World Conference on the Measurement of the Economic Impact of Tourism to be held in France next year.

If progress is made, many of the oddities thrown up by the current demand-side research techniques which excluded entire facets of tourism activity may be tackled. In the 1995 UK tourism survey, (Office of National Statistics) 13 per cent of holidaymakers said they visited museums and 4 per cent watched sport, but as many as 60 per cent had no activity listed. That does not mean they are all couch potatoes.

According to Dr Andrew Church and Dr Paul Bull, lecturers in geography at Birkbeck College, London, who are researching the economic and employment impacts of tourism in London, "those visitors...shop, eat, drink and see friends," activities not mentioned in the survey. "Measuring figures for tourism in London is currently complicated by the fact that we know very little about tourist itineraries. Although we have some idea of visitor attractions, we know very little about where visitors spend money at places in between," they say.

TSA can go some way towards filling the gaps. "Cities like London, Paris and New York are some of the world's most significant tourist destinations and identifying the impact of tourism, given the complex relationships with other city activities, might be difficult to measure even with satellite accounting," say Dr Church and Dr Bull.

THE ENVIRONMENT • by Marian Edmunds

Juggling the demands

There are doubts whether WTO's new code of ethics will carry sufficient clout

The tourist is a demanding species. He sees two palm trees in front of an azure sea in a glossy brochure and expects nothing less than paradise – at a knockdown price. But holiday destinations are not paradise – they are just places other people call home.

Attempting to satisfy those demands while meeting the environmental, social and economic needs and rights of the host community is a juggling act for any local authority. And knowing how to find environmentally-responsible tour operators is also challenging.

Consequently, the World Tourism Organisation (WTO), an inter-governmental body under the auspices of the UN is preparing an international code of ethics for tourism to set out the responsibilities of all participants in the industry.

Although it will not be binding, the code will be monitored. "It is the first public campaign directed by WTO at the general public," says Henryk Hadszuh, the WTO's chief of quality of tourism development.

The move has generally been welcomed but there are doubts that it will provide a mechanism for change. Tourism Concern, a British network for people with an active concern for tourism's impact on communities and environment, is sceptical about the credentials of some participants.

"The committee for the preparation of the code currently includes Iran, Algeria, Egypt, Brazil, Portugal and Malaysia – some of whom have deplorable human rights records, only three of whom are major tourist-receiving countries, and none of whom are major tourism sending countries," says Tourism Concern in its recently report, Tourism and Human Rights.

The report describes several tourism activities which flout the Universal Declaration of Human Rights by denying the local community access to their natural resources. At a holiday resort in Goa, for instance, water is piped to the hotel while villagers are forced to rely on well water.

There is an increasing demand for tourism as a commodity to be fairly traded. Less than one-third of the money spent by foreign tourists on their holidays finds its way into the local economy. Consequently there is little reward, or even compensation, for environmental and other impacts of tourism.

But wealthy nations also need to ensure that their tourism activities are sustainable at a local level and they, too, need to protect their natural resources and cultures. The UK has been criticised for focusing on attracting inbound tourists while under-investing on the supply side. Recently, however, the department for culture, media and sport, under whose remit tourism falls, published a consultation document calling for views on sustainable tourism development.

All too often, however, environmental issues are ignored until a problem becomes too big to ignore. Mallorca, one of Europe's top package tour destinations, was made to rethink its strategy when its water supply diminished to a trickle in 1994.

The local supply had become salty and the islanders and visitors alike had to rely on shipments of water from Barcelona. A desalination plant opening at the end of this year will solve the most pressing problem but new policies have evolved from the crisis.

In Calvia, a district of 30,000 people on the island which attracts 1.2m visitors annually, high-rise hotels built hastily in the resorts of Magaluf and Palma Nova in the 1960s and 70s are being upgraded or compulsorily purchased then destroyed and replaced by green areas. From a crisis four years ago, Calvia was recently commended in the European Sustainable City awards for successfully combining ecology with tourism.

New zoning laws prevent further development, and the entire island has introduced the Law of Golf which allows only waste water to be used on courses.

So far, however, the most conspicuous campaigns to improve the environmental performance of tourism have arisen in the private sector. But are these programmes devised for altruistic reasons or as a public relations tool?

Geoffrey Lipman, president of the World Travel and Tourism Council, a global coalition of industry chief executive officers, believes that sustainable ideals must be put at the core of planning to "position the industry where it can control its own destiny". The WTTC and Green Globe, its environmental management body, have set up a certification programme. It is designed and operated by Societe Generale de Surveillance (SGS), a large international testing, inspection and verification organisation.

SGS has certified more than 15,000 organisations against ISO 9000 Quality Management Standard in the past decade, and more than 300 organisations against the new ISO 14000 Environmental Management Standards. With the WTTC and Green Globe, SGS is testing the programme in the Caribbean, one of the world's most intensive tourism destinations.

The WTTC has invested $1m in support of its Agenda 21 goals for travel and tourism but, says Mr Lipman, "you can't prescribe anything".

It appears, however, that suppliers and customers are increasingly taking steps themselves. In a survey of 200 guests taken at the Scandic eco-hotel in Sjolyst, Norway, 49 per cent said that the hotel's eco-friendly nature had influenced their initial decision to stay.

In the business travel sector, where the profit margins are greater, the UK Institute of Travel Management, which includes 400 buyers and 200 suppliers, is working with Tourism Concern to find tools to ensure that business traveller may contract environmentally-sound products. By providing a mechanism for identifying suppliers of travel who are committed to environmental improvement, the likelihood is that better standards will be encouraged industry-wide.

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COURIER AND EXPRESS SERVICES

Two of the big four integrators now have post offices as owners or large minority shareholders. Charles Batchelor reports

The postmen have rung twice

The flotation later this month of TNT Post Group will create the world's first listed postal company and confirm the transformation of the traditional state-owned post offices into broadly based express delivery businesses.

Few observers of the parcels industry would have guessed five years ago that the cossetted state postal monopolies would be able to reinvent themselves as powerful players in one of the most competitive areas of the services sector.

Yet two of the four "integrators", the internationally active courier groups which have made the running over the past two decades, now have post offices as owners or large minority shareholders.

Deutsche Post, the German post office, acquired a 22.5 per cent stake in DHL in March, with an option on a further 2.5 per cent. Meanwhile KPN, the privatised Dutch postal and telecommunications group, has been working on the listing of its non-telecoms activities since acquiring TNT in October 1996.

The two US-based integrators, FedEx and UPS, have remained outside the fray, though FedEx has sought expansion through the acquisition last October for $2.34bn of Caliber System, a US package carrier and contract logistics group.

The links that are being forged allow the post offices to combine their national parcels networks with the international delivery systems developed by the integrators.

Deutsche Post will market DHL's air-based overnight service through its 15,000 post offices and give DHL access to the road based network for "deferred" – two to three day – deliveries.

They also allow the post offices to invest the strong cash flow generated by their mature mail businesses in the more exciting areas of express deliveries and logistics.

For the time being, though, the UK Post Office is not an equal player in these international markets. For a country which led the privatisation drive in so many other areas, Britain has been slow to take a decision on the future of its state-owned Post Office and of Parcelforce, its express parcels arm.

A government-commissioned review of the future of the Post Office is not expected to produce its findings until the Autumn. Kevin Williams, managing director of Parcelforce, draws comfort from the fact that the brief is to look at "how" to give the Post Office commercial freedom rather than "whether".

Parcelforce's competitors accuse the Post Office of cross-subsidising the heavily loss-making parcels company. They say that with 24 per cent of the UK market, which makes it the largest player, it already has all the commercial freedom it needs. But Mr Williams says government controls mean he is unable to form joint ventures with business partners or make acquisitions.

"We are not at the feast. We are the spectre hovering over it," he says. The public sector rules mean he is unable to raise outside funds for expansion or pay his staff competitive rates. In the meantime, foreign competitors, which are able to cement alliances, set up offices in the UK to grab a share of the market.

The limits imposed on the amounts Parcelforce can invest mean it is unable to take equity stakes in other companies. But it has contractual links with 18 private sector partners in continental Europe.

International partnerships have been the traditional means by which national companies expand beyond their borders. But, because there is typically no exchange of equity stakes, these alliances have come under threat from the more acquisitive groups.

When Belgian Parcel was acquired by Deutsche Post, this left the General Parcel alliance with no Belgian member to service the network, though a replacement, ABX, was quickly found. Some of the alliances are attempting to set up cross-equity shareholdings to prevent gaps appearing in their networks.

Despite the rapid growth of the past few years, the parcels sector still has considerable potential, even if some of the more mature domestic markets, such as the UK, show signs of slowing.

Alan Jones, chief executive of TNT UK, cites the recent example of a mislaid hologram – intended to deter counterfeiting of the new euro currency banknotes – as a powerful argument for the door-to-door delivery industry.

The hologram disappeared at the beginning of May after being taken to be loaded on to an Air France flight from Paris Roissy airport to Munich by a security company. The package, was due to travel unaccompanied in the aircraft's hold. Companies like TNT and the other "integrators", which take responsibility for every stage of a shipment are in a better position to provide door-to-door control and reliability, says Mr Jones.

Factors driving continued growth include the fact that businesses worldwide remain keen to outsource their distribution systems to capture the economies of scale that an in-house operation often cannot bring.

The growing need to reduce stock levels has forced industry to embrace just-in-time techniques that require efficient, guaranteed delivery of components.

As industry becomes more global, companies depend increasingly on the international shipment of parts and documents. Meanwhile, political changes in central and eastern Europe, and the progressive removal of trade

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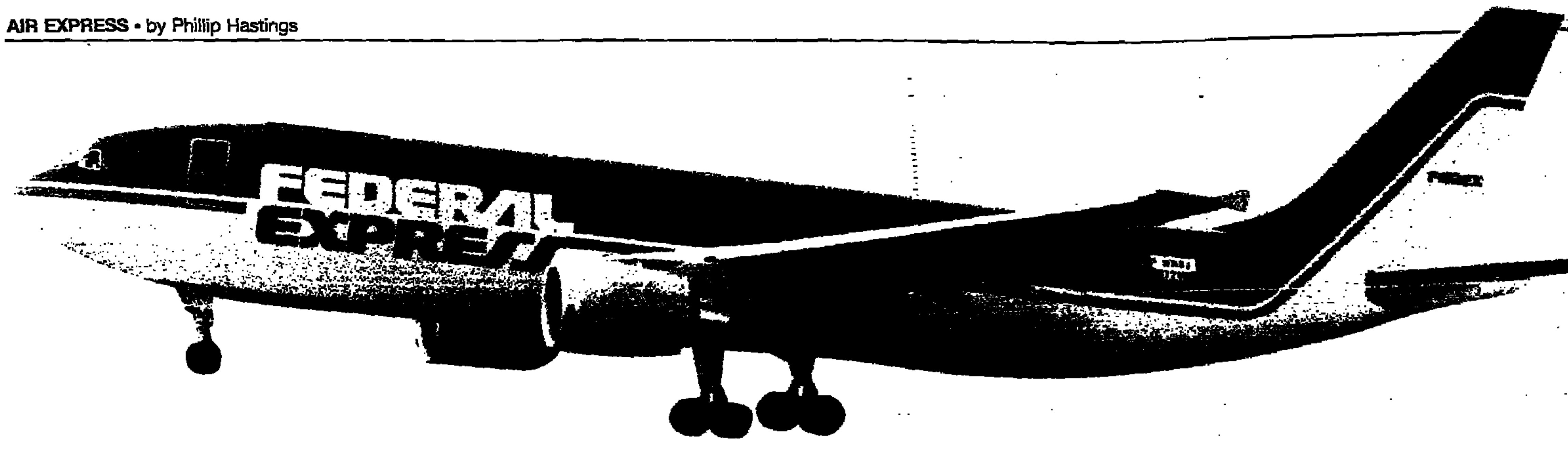
2 COURIER AND EXPRESS SERVICES

AIR EXPRESS • by Phillip Hastings



Dogfight intensifies in booming air cargo sector

Airlines fight traditional market giants for a slice of rapidly growing business

Airlines are stepping up their efforts to carve out a share of the international air express market. One of the world's leading scheduled airline cargo carriers, Lufthansa, for example, recently introduced a complete new range of time-definite products that include two levels of express service.

Such moves are being encouraged by surveys of future global air cargo industry prospects, which continually highlight the big potential for growth in express traffic.

Late last year, for instance, David Pierce, chairman of The International Air Cargo Association's (TIACA) research and development committee, predicted the express sector would increase its current share of the world air cargo market from around 6 per cent to 40 per cent by 2016. That expansion, he added, would be achieved during a period when the world air cargo market as a whole was likely to triple.

Mr Pierce, who is also regional director marketing-cargo revenue analysis for Boeing Commercial Airplane Group, said development of the international express market was following a similar pattern to that of the US. There, the express share of the overall domestic air cargo market had grown from virtually zero 20 years ago to account now for more than 60 per cent.

In the past, continued Mr Pierce, shippers had only used air cargo in an emergency. "Today, it is an integral element of the distribution channel. Customers use air for sound business decisions. This is the basis for increasing change in the industry," he said. "The customer now realises the importance of efficient distribution channels and is directly involved in designing and creating their future. Shippers have begun to outsource parts of the logistics process and are focusing on making time-definite service more important." As in the US, where Federal Express, United Parcel Service and DHL made much of the running when it came to developing air express operations, the big integrators have set the pace in terms of global air express service expansion. Together with Netherlands-based TNT (now owned by KPN), they very much stole a march on the airlines during the 1980s and early 1990s and quickly won a major share of the premium end of the air cargo market.

Over the past few years, though, the airlines and their traditional industry partners, the freight forwarders, have fought back with new express service developments of their own. Potentially one of the most significant of such developments in that context is a new product portfolio launched by German carrier Lufthansa Cargo in April. This moves away from the airline industry's traditional use of specific flight numbers for freight bookings to focus on guaranteed transit times. That change will apply to both standard cargo and express shipments.

That new product range, which is now being progressively rolled out around Lufthansa Cargo's global route network, comprises td.Pro – a service for standard cargo; td.X – an entry level express service; and td.Flash – a premium express service. Shippers, who have long been urging the traditional air cargo industry to move more towards time-definite products, have welcomed the Lufthansa initiative.

Chris Welsh, secretary general of the European Air Shippers' Council, points out that an industry document outlining "Key Performance Indicators for the Air Freight Industry" and published last year stresses that one of the key areas of performance measurement should involve cargo arriving at the destination airport at the time agreed when the booking was made. "The Lufthansa Cargo move appears to be following that line and we are delighted the industry is now starting to go that way," he says.

Many other airlines have also introduced new express service developments over the last year, or stepped up development of existing products, although most are targeted primarily at forwarders and courier/express companies rather than directly at shippers.

Scandinavian Airlines (SAS), for instance, recently started trials with a new intra-European airport-to-airport courier service. Key features of the operation, which is designed to handle courier shipments of up to 30 kilos, are close-out and retrieval times of 45 minutes.

Meanwhile, Dutch carrier KLM is further expanding the airport-to-airport express operation it launched in mid-1997. With effect from June 1, five more European stations – Barcelona, Madrid, Rome, Milan and Zurich – were due to be added to the KLM Cargo express service network, increasing the number of points covered to over 30.

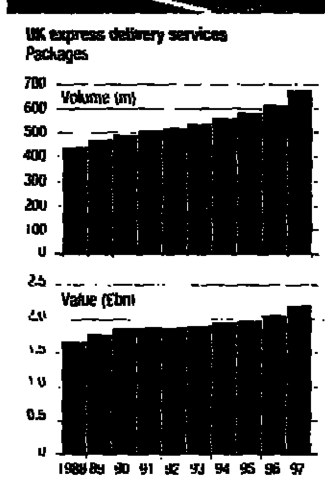
The last few months have also seen Air Canada make its recently-launched guaranteed international express service available to all shippers and forwarders on flights from London Heathrow, Paris, Zurich and Frankfurt to Toronto. Customers can present shipments to the airline cargo terminal up to 90 minutes before flight departure. At the destination end, shipments are made available within 90 minutes of the aircraft's arrival. The maximum weight per piece accepted for the service is 32 kilos and there is a money back guarantee for any service failure.

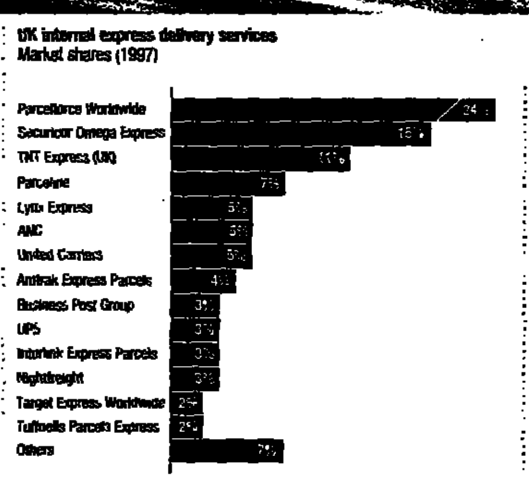
Leading freight forwarders, or logistics service companies as they increasingly like to be called, are also staging something of a fightback when it comes to handling air express traffic.

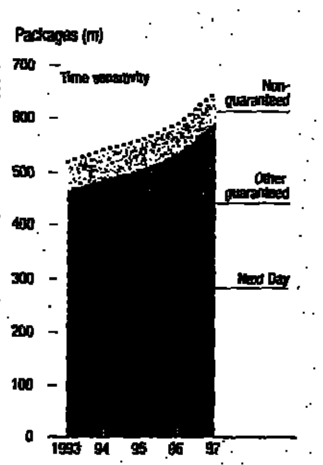
US-based Emery Worldwide, for instance, functions as an integrator in North America, where it operates a fleet of nearly 100 freighters, but also offers global air express services based mainly on the use of existing commercial air cargo capacity. One exception is the North Atlantic where the company operates scheduled daily DC8 freighter flights between its European hub in Brussels and its central North American sorting hub in Dayton, Ohio. Those flights enable Emery to offer European customers next-second business day delivery services in North America.

The general potential for forwarders to successfully compete for some international air express business is highlighted by the experience of multinational European aircraft manufacturer Airbus Industrie. A spokesman for the company explained at an express industry conference last year that parcel traffic flows from the Airbus Industrie headquarters in Toulouse, France, were controlled through its own logistics centre, but the majority of actual transport was sub-contracted to express companies and forwarders. A review of the big freight forwarders and the integrators carried out before establishing that system, he continued, had proved that integrators were still the best link for very small parcels. By that, though, he added, he meant items of under about 5 kilos, not the 30 kilos often mentioned when describing parcels.

For larger parcels, he claimed, forwarders were very competitive and now handled around 75 per cent of Airbus Industrie's parcels business, compared with 25 per cent carried by integrators.







Postmen have rung twice

CONTINUED FROM PAGE 1

barriers around the world, generate new trading opportunities.

In the more developed countries there have been moves to tele-working – with employees working from home – and to home shopping, where customers buy from a printed or on-screen catalogue. Both are fuelling demand for home delivery services, says MSI Marketing Research for Industry, in its latest review.

But for all this trend toward greater globalisation, there remain impediments to the growth of the parcels sector. The restrictive regulation of air transport by European governments and the outdated methods of many customs administrations were highlighted by Jim Kelly, UPS chairman and chief executive, in a speech last month.

He condemned air transport regulation as "ill-suited to the new lines of business offered by the air transport industry today". Customs, meanwhile, had yet to respond adequately to the development of electronic commerce and the growing complexity of global trade.

Despite these problems, most European domestic markets are growing by 4 to 5 per cent a year in volume terms, although many international outbound markets are expanding by 10 per cent and more, says Triangle Management Services, a courier and logistics consultancy.

Competitive pressures are reducing margins in both the domestic and international markets. Profits still tend to be higher for international business but increasing pressure here is one factor behind the consolidation that is taking place between the post offices and the parcels groups.

In the UK, MSI is forecasting 8 per cent volume growth this year and next, falling to just 2 per cent in 2002, although total volume growth over the five years will be 18 per cent. MSI expects domestic prices to firm slightly but the push into international operations – many companies are adding "worldwide" to their brand name – will put international prices under pressure.

One factor that has depressed margins has been the pressure from customers for shorter delivery times without any corresponding increase in prices. "The difference in price between next day express service and other services has been significantly eroded in recent years, making the service particularly attractive to customers, but not as lucrative for the express delivery companies," said MSI in a review of the UK market.

But if some parcels groups have allowed the differential to be eroded, others see a clear demarcation between the different levels of service provided as an opportunity to target their markets more effectively.

Claude Béglé, vice-president for southern and eastern Europe at TNT Express International, distinguishes between the parcels market, which guarantees delivery on a particular day and the more expensive express market, which promises a "time-certain" delivery.

The parcels market involves large volumes of business to business consignments moved by road. "This is the McDonald's approach: there are only three types of hamburger but they are cheap."

He contrasts this with the express market, which requires more sophisticated technology to track and trace shipments, and provide proof of delivery. This is more responsive to customers' individual needs but is more expensive.

"Both are developing but we believe express will be the winner and we are focusing on that," says Mr Béglé. "We want to invest in premium quality rather than fight it out on price."

In parallel with this concentration on higher value deliveries, some companies in the parcels industry have begun to move into the logistics sector.

DHL is developing a network of logistics service centres next to its parcels hubs. Their activities only account for \$150m-\$200m, of the total revenues of \$5bn, but they are growing. Parcelforce is also building a logistics business from the in-house distribution system it runs for the Post Office's 190,000 employees.

Expanding into new areas and keeping up-to-date on the technology that is required to stay ahead require deep pockets. This suggests the consolidation of the parcels industry will continue. DHL and TNT may not be the only ones to respond to the postman's knock.

PROFILE DHL

Deutsche Post's stake represents coming of age

For a company as proud of its entrepreneurial origins as DHL Worldwide Express, the recent acquisition of a 22.5 per cent holding by Deutsche Post, the government-owned German postal service, represents something of a coming of age.

Victor Guinasso, president of DHL Airways, with plans for a new sorting centre in Cincinnati

Deutsche Post bought out the holding in DHL International owned by Larry Hillblom, one of DHL's three founders, until his death in an air crash three years ago. Brussels-based DHL International serves world markets outside the US.

The shares, which had been bought in temporarily by the company after Hillblom's death, were acquired in March, though the transaction is still subject to the approval of the European Union competition authorities. Deutsche Post also has an option on a further 2.5 per cent holding.

Prominent in DHL's promotion of its image has been the story of how Hillblom, together with Adrian Dalsey and Robert Lynn, set up the company in 1969 to transport shipping documents overnight by air from San Francisco to Hawaii. This allowed the documents to arrive ahead of the goods being shipped, reducing delays in customs.

This association with a youthful, West Coast past has been a powerful asset for an express courier company like DHL. It – and its rivals – still make much of a vigorous, "can do" approach to doing business.

This is in stark contrast to the image enjoyed by most postal administrations. But the Deutsche Post link not only provides a home for the shares; it gives DHL a marketing outlet through 15,000 post offices and access to the post office's "deferred" – that is, two to three day – road delivery network. Deutsche Post, in turn, can use DHL's network for overnight deliveries around the world.

DHL plays down the prospect of significant changes in the way it operates following the arrival of Deutsche Post. It has, after all, had large corporate shareholders for many years. It already counts Lufthansa, the German airline among its owners while other large minority stakes are held by Japan Airlines and Nissho Iwai, a Japanese trading house.

But the arrival of Deutsche Post as a large shareholder does provide a partner offering considerable opportunities for close co-operation as well as strengthening the German influence over DHL.

Changes in share ownership are not the only developments which are making their mark on DHL. From its origins in moving documents, the company has steadily shifted away into the parcels business, handling products and components for a wide range of industry sectors.

Documents accounted for 80 per cent of shipments as recently as the late 1980s but had fallen to 45 per cent by last year and are expected to account for only 5 per cent in 2005.

The documents market is continuing to grow but is increasingly challenged by the fax and the internet. In the first quarter of 1998 the volume of documents handled by DHL rose by 10 per cent but parcels increased by 25-30 per cent.

As a logical extension of this closer involvement with its customers' products – as opposed to their paperwork – DHL has also begun to move into the market for logistics services. This still only accounts for \$150m-\$200m of total revenues of \$5bn but is growing rapidly.

"We used to deliver a parcel from a to b but now we are part of our customers' supply chain," says Charles Menkhorst, head of European logistics.

DHL has established eight regional logistics centres, where sub-assembly work on personal computers and other products can be carried out, and 54 parts centres which hold spare parts for field engineers. The aim is to allow manufacturers and suppliers to reduce inventories but still provide a fast service to their customers.

Logistics may prove successful, though the market is becoming increasingly crowded, and at least one parcels group has sub-contracted out its business in heavier freight shipments. But DHL's future growth will depend on continuing to innovate in its core business.

Good ideas developed in one country are filtered through the Brussels headquarters and put out on the company intranet, explains Rob Kuijpers, chief executive. Recent examples include the use of cycle couriers in Austria and "team buses," which cut down on vehicle use in crowded city centres. In London a team bus leaves Heathrow early in the morning with sorters working on parcels which have arrived overnight by air. When it gets to central London between 7am and 8am 20 walking couriers spread out to make deliveries to the final destination.

In Amsterdam there is a similar project but using a canal barge as a floating sorting office linked to walking couriers. Team buses are also planned for Paris and Istanbul.

As well as spreading best practice, DHL must also ensure that it provides a uniform level of service in all of the 227 countries where it operates. This is achieved by setting corporate service guidelines on the speed of pick-ups, telephone response times and commitments to delivery times.

One more lighthearted way of welding the company's far-flung activities together into a cohesive whole is an annual football tournament held in Belgium which attracts teams from 40 countries. It involves up to 3,000 employees who pay half of their own travel costs.

Deregulation of many industries and the removal of barriers to trade in regional groupings such as the European Union is continuing to fuel the growth of the express delivery market. Mr Kuijpers foresees continuing double digit rates of revenue increases over the next few years after 20-25 per cent rates of annual growth recently.

Charles Batchelor

POSTAL SERVICES • by Phillip Hastings

Mailmen push back the commercial envelope

Businesses are set to benefit from transformation taking place in the mail industry

Commercial developments are transforming the world of international postal express and mail services against a background of developing but still patchy industry liberalisation at governmental level. In the words of Tim Walsh, director international affairs and business strategy for the UK's Royal Mail, postal services are "changing from a world of highly regulated, publicly-owned, national monopolies to one of privately-owned competitive companies operating across national boundaries in liberalised markets".

Similar conclusions were reached in a 1997 international mail study published by UK-based postal and express industry consultants Triangle Management Services.

"Policy or no policy, the much talked about deregulation of the mail industry is happening in the international market, with enormous impact on the competitive structure of the industry," they said.

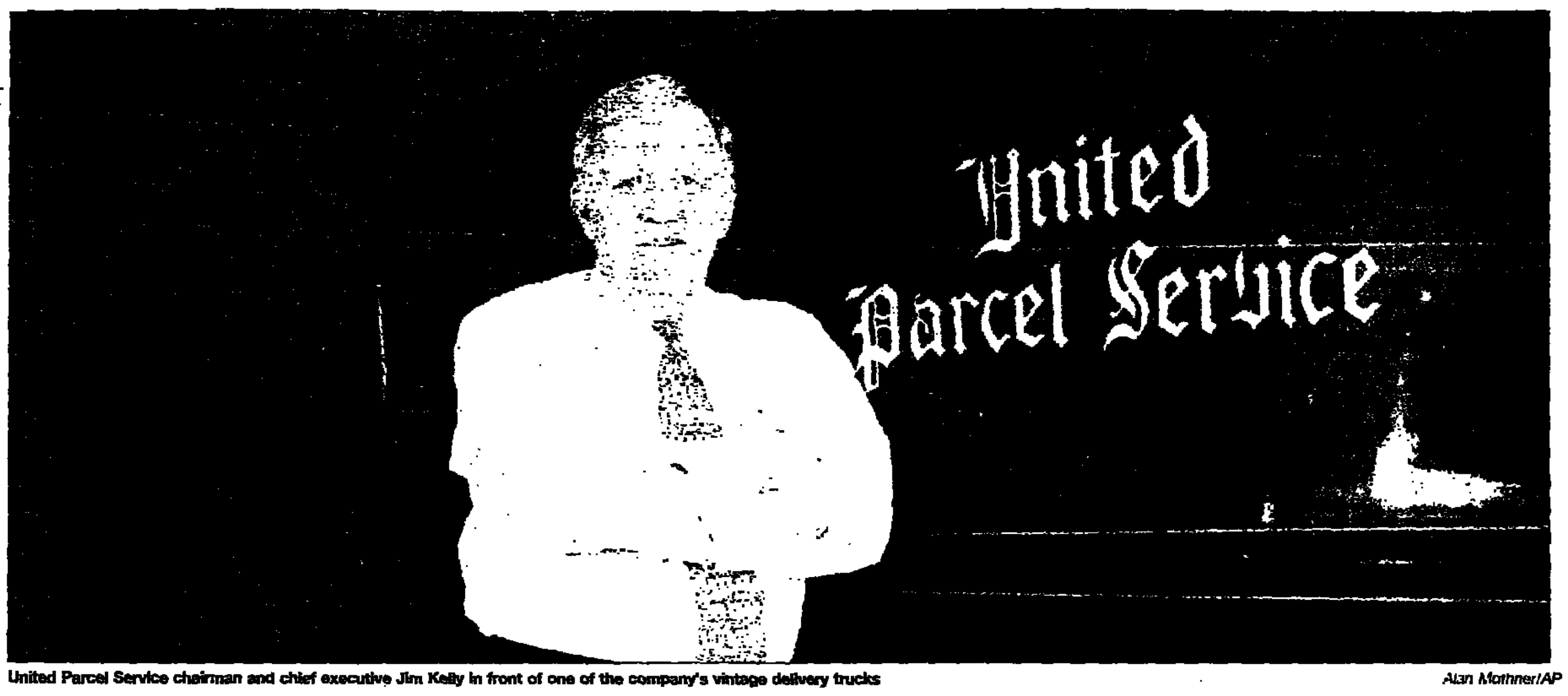
Latest evidence of that trend is provided by German postal organisation Deutsche Post, which recently announced the acquisition of a 22.5 per cent stake in one of the world's top four international express service operators, DHL International. That development, which will give the former access to DHL's global air express network, followed moves by Deutsche Post last year to set up its own parcel transport operations in several neighbouring countries, including the establishment of majority-interest joint ventures in Belgium and Poland.

A year earlier, Dutch postal services counterpart, the privatised KPN organisation, bought another of the big four global express companies, TNT Express Worldwide.

The still government-owned UK Post Office has to date been partially constrained in terms of that sort of development by limits on its commercial freedom. However, senior executives hope the current government review of its future will pave the way for greater scope to expand internationally.

Elsewhere in the world, several other postal authorities have already been privatised, notably those of Singapore and Argentina, while a larger number have been transformed into joint stock companies with private sector commercial freedoms. Such developments, say postal and express industry observers, are effectively opening up international delivery service markets to greater competition, not only between post offices and private sector companies but also between different post offices.

"Private courier and parcel companies have long since competed against postal operators, and competition has now spread to the international letters market," confirms Royal Mail's Mr Walsh. At the same time, he continues, a number of European post offices are now targeting the UK's international mail flows and channelling cross-border bulk business mail out of the country. "We ourselves have successful sales operations in the United States and in the main European markets with a customer base of major multinationals," he says.



United Parcel Service chairman and chief executive Jim Kelly in front of one of the company's vintage delivery trucks — Alan Mothner/AP

Running in tandem with commercial developments in the postal industry are various governmental moves to modernise and liberalise that sector. Globally, such developments are being co-ordinated by a Swiss-based United Nations agency called the Universal Postal Union (UPU). Its basic role is to inter-connect national postal operations around the world by agreeing the types of services to be made available to international customers and setting the access conditions, technical standards and operating arrangements for exchanging mail between countries. The UPU's next congress, due to be held in Beijing in August 1999, is expected to result in major postal industry changes being agreed.

Thomas Leavey, the organisation's director general, signalled that point at the recent 9th World Express & Mail Conference in Washington, when he described 1999 as "a pivotal year" for the UPU, and said that change in the postal sector was "inevitable".

However, the global postal sector picture is complicated by the fact that liberalisation of individual national markets still lies in the hands of national governments or, in the case of Europe, increasingly with the European Commission (EC) and ultimately the European Council.

The EC has in fact been looking to liberalise the European postal market for most of the last decade but has struggled to reconcile the often conflicting interests of competition considerations and the established telecommunications industry. That conflict has been highlighted by the progress of an EC directive on "Common Rules for the Development of Community Postal Services in Europe and the Improvement of Quality Service". When first proposed at the end of 1995, that directive was generally heralded by the international express industry as a modest but welcome step on the path towards European postal industry liberalisation. However, by the time it was formally adopted by the European Council, in December, 1997, it had been considerably watered down to allow only very limited opening of the postal sector in the near term.

That development brought stinging criticism from the European Express Organisation (EEO) which represents a group of leading private sector express operators. "It is a toothless measure," claims Jaap Mulders, the organisation's chairman. In fact, the directive also calls on the EC to bring forward new proposals on liberalisation before the end of this year. The European Council and the European Parliament must then decide on further moves before January 1, 2000.

However, express industry sources believe full liberalisation of the sector now looks unlikely to start taking effect before 2003 at the earliest. Meanwhile, the EC has been reviewing the postal industry's REIMS (Remuneration of the Exchange of International Mails) agreement, which covers the charges post offices make to each other for delivering incoming international mail.

Phased introduction of that agreement in Europe was actually due to have started earlier this year. However, national post offices are holding back from implementation until planned publication of the EC review next month.

A further complication is the fact that the Dutch post office (KPN/TNT) has to date refused to sign up to REIMS, on the grounds that the agreement would increase some international mail service costs. The current resulting confusion is highlighted by Colin Mitchell, chairman of the European Mail and Express Services User's Association (EMESUA). "It is still not clear whether the REIMS agreement will be implemented this year, whether the EC will ask for further changes to it or what will happen if the Dutch do not sign up. The post offices and the EC have said all along that if the agreement is to work, all the European Union postal administrations, at least, must be a party to it," he says.

TECHNOLOGY • by Michael Terry

Delivering the goods online

Express delivery operators seek innovative ways to differentiate themselves

From this summer, companies and individuals in America will be able to send confidential documents through what is claimed to be the world's first commercially-run, secure internet document delivery service. Widely being seen as a shrewd move by US integrator UPS to steal core business from international document and parcels carrier DHL Worldwide Express, the launch of UPS Document Exchange is the latest example of how the express delivery industry is harnessing internet technology to benefit itself and its customers.

The UPS service offers two options. OnLine Dossier, for critical and confidential documents, uses a double encryption security system and employs identity validation through digital certificates. It features document delivery confirmation, tracking, user insurance and third-party validation.

OnLine Courier, designed for those requiring universal solutions for document exchange over the internet, is built on an open environment that allows customers to send documents to anyone, regardless of the e-mail software, the operating system or the hardware being used by either sender or receiver. Options on offer include password protection, encryption and tracking and receipt confirmation. The company was unable to say when the service would be introduced into Europe.

Technology is the key factor by which express delivery operators seek to differentiate themselves. Whereas they initially devoted themselves to developing high speed sorting machines, EDI links with customers, computerised tracking and tracing facilities and electronic proof of delivery systems, they are now concentrating on ways of exploiting the internet as a medium to enhance customer service and control costs.

Having for some time already offered track and trace facilities over the internet, they have started to develop web sites where customers can place orders, fulfil procedural requirements and even file complaints.

US operator DHL Worldwide Express, will next month release DHL Connect, a "point and click" application that integrates customers' software with the world wide web and automates procedures for preparing documentation, requesting collections, tracking and tracing of consignments – including those sent via other express carriers – pre-notifying receivers, preparing lists and reports and ordering packaging supplies required for shipping. Because the application, which cost $5m to develop and has been on trial in the US, allows customers automatically to carry out the shipment procedures, DHL estimates it can save operating costs of 75 cents a shipment.

TNT, part of the Dutch post office, expects to have a virtual customer call centre online by the end of the year. The operator already offers Webcollection and Webtracker facilities. This month it plans to launch Webrating, which will help customers calculate the cost of sending consignments anywhere in the world. It is even developing a facility for customers to file a complaint.

Louis Du Pre, a marketing director, says: "This will give customers the choice to either contact us direct through one of our normal customer call centres, or over the internet. We plan to integrate our PC applications with our internet applications so that customers can download consignment information instantaneously into their systems and immediately create their own invoices and customs documentation."

UK express operator Parceline, whose web site went live in April, has good news for managers concerned at staff that surf the internet when they should be working. It has developed a virtual internet service provider for its web site, which creates a closed user group within Parceline's control and, in conjunction with firewalls, prevents unnecessary surfing.

A special feature of the operator's internet tracking facility is that it enables customers to empower their customers to track their own parcels from despatch through to delivery and let them know which colleague signed for it.

Other end of the technology scale: Geoff Wilson London cycle courier — Brendan Corr

The tracking can be carried out using a references-by-consignment number, delivery postcode, sender reference or collection request number. The operator says it is planning to offer major customers their own bespoke tracking page.

But the internet has also had its share of disappointments for the industry. Last Christmas, UPS launched a trial web site shop, which put 130 retailers online during December and January. Of 180,000 visitors to the site, just 14,000 registered as users and only 225 made purchases. A report by management consultants KPMG blamed the poor performance on high prices arising from Europe's complex tax and duty arrangements.

Its reliance on information technology has forced the industry to be alert to the problems of the so-called "millennium bug". As a prerequisite to taking action, most operators have been engaged in major programmes to help them identify the scale of the problem. However, French operator Chronopost, part of the French postoffice, is one of the few exceptions. Because the company was only founded in 1986, president Frric Tiberghein says the software and systems which it operates are new enough not to be affected.

In contrast, DHL estimates that it may have to replace about 40 per cent of the PCs it has sited atover 7,500 customer locations across Europe to enable its computer systems to cope with the bug.

It has set aside $25m to deal with the problem worldwide and has just completed a year-long inventory of hardware and software. It is distributing special diagnostic software to allow its customers to decide for themselves whether they need to replace their PCs, upgrade them or take no action.

TNT, which completed a global audit of all computers and computerised equipment last February, says its core Global Link system, which networks every TNT depot and hub, and Partnership Express and Partnership Tracker systems are year 2000 compliant. However, it has developed a contingency programme to ensure trouble free operations after the turn of the century if its equipment suppliers have not completed on time the task of ensuring that non-core systems are compliant.

It says every machine that depends on computer hardware and software – from sorting machines and scanners to timing devices and process control equipment – is being tested and checked to ensure that operations can continue unhindered. The contingency plan will use a "windowing technique" that can calculate the century from the value of the year field.

UNITED STATES • by Richard Tomkins

UPS and FedEx move post goals

Rivalry intensifies between the two giant delivery companies

The US package delivery business is worth $70bn a year, and plenty of companies have a chunk of it. But the main competition is between the two industry giants, United Parcel Service and Federal Express – and the battle is raging ever hotter.

Until recently, FedEx had concentrated almost exclusively on the business it pioneered 25 years ago: express delivery of urgent, higher-value items by air.

Earlier this year, however, FedEx directly challenged UPS's traditional dominance of the market for routine, ground shipments by merging with RPS, the biggest operator in the ground shipment business after UPS and the US Postal Service.

FedEx and RPS, owned by a newly-formed holding company called FDX, said the move would turn them into a one-stop shop for shipping, able to meet all their customers' needs – including the ones served by UPS.

But now, UPS is hitting back. Having long ago started offering air express services alongside its traditional ground deliveries, it is now moving further into FedEx's market by creating a new service: guaranteed on-time delivery for ground shipments within the US.

The new service, which became available last month, does not get packages to their destinations any more quickly: they could still take four days to cross the US. But at no extra cost, UPS guarantees to get business-to-business shipments to their destination on the promised date, or give customers their money back.

The service is significant because having a definite delivery date is sometimes more important to shippers than speed itself – for example, in just-in-time manufacturing, where there is no latitude for delays in the delivery of components. Previously, FedEx had been the only carrier "absolutely, positively" guaranteeing on-time delivery.

UPS says: "All of our commercial shippers benefit because even if they are sending out something that doesn't absolutely have to be there tomorrow or the next day, it engenders a certain amount of confidence in them to know that it will."

Over short distances, the service could also prove much cheaper than FedEx's overnight service. A 10lb package shipped from New York to Boston, for example, is now guaranteed to arrive the next day whether sent by UPS's ground service or FedEx's air express service. But it costs only $4.03 to send it by UPS's ground service, while to send it by FedEx's overnight service for 10.30am delivery costs $28.25.

UPS needs a shot in the arm. Last year it suffered an extremely damaging strike that brought out all its blue-collar workers and virtually closed its US operations for two weeks. Many UPS customers started using other delivery services during the strike, and UPS has still not won them all back.

Even so, one problem for UPS is that its new service will compete not only with FedEx's services, but with its own air express service. From now on, all package delivery companies will be under pressure to justify the higher cost of air services in the US domestic market.

FedEx shrugs off UPS's move, saying its express delivery services allow customers to specify not only the day on which their goods should arrive, but also the time. All UPS can offer, FedEx says, is the promise that the goods will turn up at some unspecified time on a day of UPS's choosing.

"Their business specifies date, not time, and in just-in-time manufacturing, it's time that's important," FedEx says.

UPS, too, acknowledges that speed and time of delivery will remain the most important factor for many customers. As UPS concedes, in the New York-Boston example given above, its ground service only guarantees to deliver by the end of the business day – a promise that may not be adequate in the case of urgent goods.

Even so, FedEx's RPS sister company is moving quickly to match UPS, saying it expects to introduce its own guaranteed ground service soon. These developments look certain to alter the package delivery landscape in the US. The only question is how much.

ASIA • by Alan Xia

Exports serve as the engine for expansion

Robust growth continues despite the region's economic troubles

The air express industry continued to record robust growth in Asia despite a host of new challenges triggered by the region's financial crisis.

"We have been able to meet or exceed our growth targets for different countries in the region, despite the financial turmoil. That has been very positive in light of the downward pressure caused by the currency declines on revenues," says K. M. Liu, Taiwan general manager for United Parcel Service (UPS), the world's largest express package carrier.

Growth in the industry has been fuelled by an export boom to the US and European markets, as currency falls have made Asian products, particularly those from the high technology and electronics sectors, much more competitive on western markets. Last year, international export volume at UPS and Federal Express Corp (FedEx), the US carriers, reached double digit growth.

Taiwan has been especially strong. During the first quarter of this year, UPS has been able to maintain last year's growth rate of over 20 per cent, led by strong demand from the island's high technology industry.

"We are witnessing an increasing demand for just-in-time delivery from our customers in the high technology industry, in part because they now realise that prompt delivery and distribution is an integral part of their business success and in part because of the increasing velocity of trade," says Mr Liu.

The change also reflects a gradual shift in the way the industry is defining its manufacturing processes and distribution needs. "Our customers are increasingly relying on more frequent shipments of customised samples or products on a time-definite basis, instead of bulk stock products at periodic intervals. Rather than stockpiling inventory, they now assemble products after receiving orders," says Wilford Fung, Taiwan general manager of TNT Express, the leading European express distribution carrier.

"Consequently, while the cargo and shipping industries in Taiwan, for example, witnessed a 45 per cent drop in volume in April, the express delivery firms actually saw an increase in volume," he says.

Another reason behind the export boom is that flagging domestic demand has led many companies in the region to seek buyers overseas, another development favourable to the courier industry.

"These companies begin by sending documents, then samples, and finally ship finished goods as they expand sales into international markets," says Alan Cassels, DHL's Malaysia general manager.

Intra-Asian traffic, however, has dropped steadily since the currency crisis, with exports to the worst-hit economies, such as Indonesia, South Korea and Thailand slowing to a trickle.

Because most tariff rates are denominated in local currencies, the carriers have resorted to rate hikes, a move which makes it much more difficult for cash-strapped companies to pay for premium express services.

"While exact figures are not available, the drop in customers from the financial, textile and some raw material industries has been especially prominent, spurred both by lower sales volume and, in some cases, bankruptcies," says UPS's Mr Liu.

Nonetheless, overall volume has risen, mainly because Asia exports more to the US and Europe than to its own countries.

TNT's Mr Fung estimates that intra-Asian traffic accounts for roughly 30 per cent of total export volume from the region, with the remaining 70 per cent going mostly to the US and Europe.

The wave of currency devalutions, however, has also led to higher business costs for staff, aircraft and raw materials, such as paper fibre. It has also given rise to sharply higher ground and air transport fees, especially for carriers with less exposure – and therefore fewer aircraft – in the region, such as TNT. Higher fixed and capital costs associated with 25-30 per cent increase in capacity in Asia was a key reason FedEx posted a $6.8m operating loss in its international operations for the quarter ending February 28, despite generating higher revenues than the same quarter a year earlier.

Currency declines reduced international operating income by approximately $10m," says Alan Graf Jr, FedEx's executive vice-president and chief financial officer.

There have been no fundamental improvements in the Asian economies since the post-holiday slow-down. FedEx expects international operations in the seasonally strong fourth quarter to be profitable, but fiscal 1998 international results will remain below fiscal 1997 levels.

In contrast, UPS managed to post a pre-tax income of $34.5m for the quarter ending March 31, a sharp turnaround from a loss of $31.1m during the same period in 1997. This result followed record fourth quarter results in the region last year, when it posted a 26 per cent increase in volume and 21 per cent increase in revenues compared with the last quarter of 1996.

The uncertainty about the region's future economic performance has so far not affected the carriers' expansion plans. In fact, expansion, rather than contraction, remains the norm. All the carriers have continued to develop the speed and scope of their services.

"Recessions allow us to capitalise on new investment opportunities because we are a global industry. No one wants to leave missing links in their distribution networks," says TNT's Mr. Fung. "The currency devaluations have also made facilities and some supplies much cheaper to buy," he says.

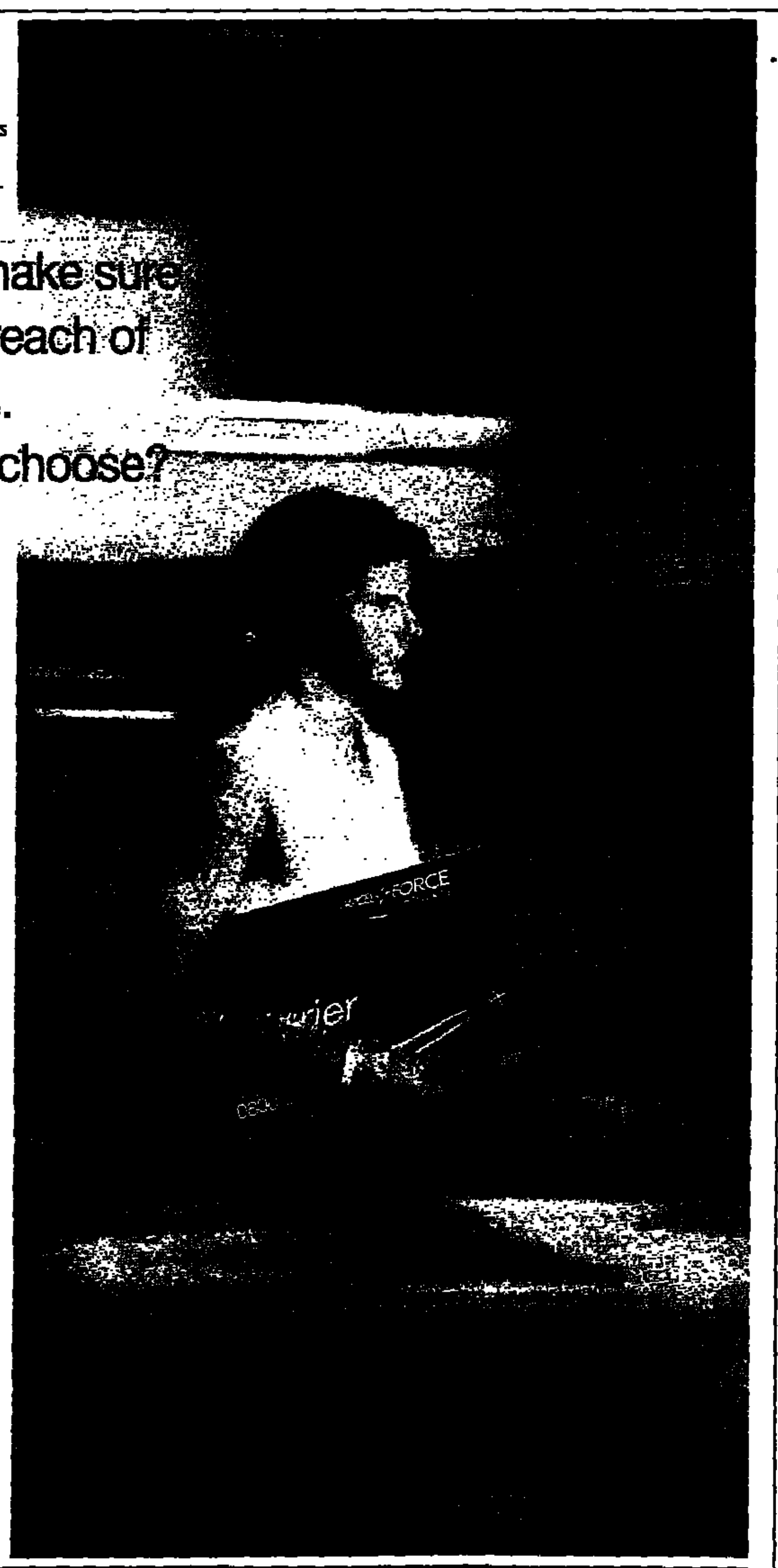
UPS is still committed to completing its $400m regional hub in Taipei by 2000. It has also continued to expand to other parts of Asia, such as India, through a 50-50 joint venture with a local partner. The company employs about 2,500 people in the region and no cuts are imminent.

DHL recently unveiled two new cargo facilities in Malaysia, with in-house customs clearance units and sophisticated new technology that incorporates remote frequency scanners at a total cost of $1.8m, because the existing facilities were already operating beyond capacity. It also spent an additional $22m on a new information technology hub linking Asia Pacific and the Middle East.

Last year, FedEx earmarked $38 million for new facilities at its Anchorage, Alaska hub to accommodate growing volume from Asia to the US. It also built a new transhipment hub in Taipei, with high speed processing capabilities, and cut transit time from Asia to the US in half through new non-stop flights from Osaka, Japan, to its US hub in Memphis, Tennessee.

Favoured means of delivery: tricycles carry dentist drill and chair through Beijing AP

DHL in Hong Kong: Asian volume has risen, mainly because of exports to the US and Europe



EUROPE • by Michael Terry

State of Union addresses

Cross-border express deliveries soar, as customers consolidate operations

It is a measure of the emerging market for European Union cross-border express delivery services that US-owned, integrated express parcels operator FedEx has chosen to return to the European fray.

Volumes in the $6bn-a-year sector, said to account for 20 per cent of the EU's total $30bn-a-year express market, are widely expected to grow by 10-15 per cent a year over the next five years. Volumes in the EU's national domestic markets are expected to grow by an average of 5-10 per cent a year. As a result of apparently misreading the market, FedEx humiliatingly had to disengage itself from the region's domestic and cross-border parcels activity in 1992 and concentrate instead on intercontinental traffic.

Paul Jones, a FedEx vice-president for marketing, blames the troubles on having to compete with too many low cost, low-tech operators. "In what was then a highly immature market it was difficult for a company of the size and sophistication of FedEx to create advantage for its customers and charge the right price for doing so," he says.

He insists the decision to resume cross-border services is to enhance intercontinental services. To cater for the anticipated volume increases, FedEx is building a $200m sorting centre at its European hub at Charles de Gaulle Airport, Paris. The modular facility, the first phase of which is due to open in June 1999, is designed to cope with a five-fold increase in volumes.

Demand for cross-border express deliveries is being driven by manufacturers and retailers as they centralise European operations and implement just-in-time supply chains in order to meet the twin challenges of the European single market and the European single currency.

Major players in the industry – postal administrations, integrators and leading independent operators – are braced for fierce competition.

A big challenge was instigated when US integrator, UPS, declared its intention to raise itself from third place in the European international express delivery league and topple DHL Worldwide Express from its seemingly entrenched position as market leader.

The bid was backed by a $1.1bn investment package in road and air transport, sorting facilities and computerised information systems. Twenty-two months later, UPS, European operations of which have been making a loss since it first entered the region in 1976, is claiming its gamble is paying off. It says its cross-border volumes have begun to increase at over twice the rate of the market. For its latest two quarters it has reported European international express volumes up by 40 per cent and 35 per cent respectively, year-on-year.

It says, as a result, it is poised to snatch second place from TNT, the former Australian integrator that now belongs to the Dutch post office, but declines to support the claim with precise figures.

DHL challenges the claim. Business development director Roger Crook says: "UPS may have increased its volumes, but it hasn't increased its share."

DHL's latest survey puts itself top with a 45 per cent share, 2 per cent up on 1996. It places TNT second with 18 per cent, the same as in 1996, and UPS third with 14 per cent, also level with 1996. FedEx comes a poor fourth with 5 per cent, 1 per cent down on 1996. Significantly, the remaining 20 per cent share includes the growing band of smaller, independent, national operators that are formalising network arrangements with counterparts in other countries.

Crook says: "There is increased competition from the independent, road-based, national operators. They are being forced to provide cross-border services for their customers and are developing international networks by forging cross-border alliances."

Derek Moore, courier and express industry specialist at management consultants Coopers & Lybrand, says: "The emerging battle between the integrators and the independents for cross-border trade will focus on the medium-sized companies."

The network alliances include DPD (Direct Parcel Distribution), EuroExpress, General Parcel, Eurodis and Europolitan Express. They say they do not have the enormous overhead of the integrators' global infrastructures and can therefore provide highly competitive rates, especially for the medium to lower volume traffic.

DPD, which focuses on single parcel deliveries and allies franchise operations in 18 countries, claims to be the leading independent road distribution network in Europe.

In 1997 it reported delivering over 268m parcels, 9.4 per cent up on the previous year. EuroExpress, originally set up as a loose alliance of 10 national parcels carriers, is this summer restructuring itself into a franchise format. A managing director is being appointed to co-ordinate sales and marketing.

Chairman Philip Rose, whose UK company Lynx staged a management buy-out a year ago from UK transportation group NFC, claims the alliance's cross-border volumes are growing by 40 per cent a year, and that its revenues currently stand at over £100m a year. Privately-owned French operator Jet Services, with operations in France, Germany, the UK, Belgium, the Netherlands, Spain, Italy, and Switzerland, stands alone among the independents insofar as it runs its own fleet of aircraft and is seeking to build its own intra-European network through acquisitions. Its February acquisition of NVS (Nacht Verteiler Service), a German overnight deliverer of spare parts for the motor industry, extended coverage of Germany and Switzerland and also took in Hungary.

A report by market analysts, MarketLine, says the combined value of international and domestic express parcels activity in the five largest European markets – Germany, France, the UK, Spain and Italy – will grow by over 41 per cent from $25.15bn in 1996 to $35.71bn in 2001. It says that Germany accounts for 31 per cent of the region's total, France for 24.3 per cent and the UK for 13.4 per cent.

Moore says that increasing downward pressure on rates is forcing express operators to offer added-value logistics services.

Using air and road, TNT, which in April opened its $62.59m European Express Centre at Liege airport, Belgium, collects components from suppliers across Europe for just-in-time trackside delivery for cars manufactured by Vauxhall, Rover, Jaguar and Volvo.

Together with computer manufacturer IBM, Jet Services has set up an overnight service for supplying field engineers with spare parts for repairing computers, and telecom, medical and office equipment. It is now developing a third-party service for storage and management of the spares inventory.